

JPRS-UEA-89-027

3 AUGUST 1989



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# ***JPRS Report***

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# **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-89-027

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3 AUGUST 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Abalkin Sets Priorities, Reaffirms Cooperatives

18200411 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 27, Jul 89 pp 1, 2

[Report on interview with academician L. Abalkin by P. Aleksandrov and A. Bakastov: "Economic Reform: Decisive Stage"]

[Text] Academician L. Abalkin, director of the Institute of Economics at the USSR Academy of Sciences, resigned his commission as USSR people's deputy. He was appointed deputy chairman of the USSR Council of Ministers and will head the newly formed State Economic Reform Commission of the USSR Council of Ministers. What compelled Leonid Ivanovich Abalkin to make such a decision? What should be the immediate measures of the new government in the economic sphere? This and many other things were discussed at a meeting with the labor collective of the Moscow Electromechanical Plant imeni Vladimir Ilich held a few days before this appointment.

The plant's workers see in academician L. Abalkin one of the theoreticians of the economic reform. Therefore, it was no accident that the meeting paid the greatest attention to the economic transformations in the country. However, the first question, naturally, concerned the Congress of USSR People's Deputies.

"Such a congress is simply a fantastic phenomenon," said Leonid Ivanovich. "It was inconceivable not only 5 years, but even 1 year, ago. The congress showed the entire gamut of opinions and contradictions existing in the country and was a mirror reflecting the real situation in society. It uncovered the alignment of the forces of renewal and stagnation, national ferments, unsolved ecological issues, and intolerance of the accumulated social problems, including mass poverty.

"Sometimes the complaint that the congress did not solve a specific problem is heard. However, it could not do this. Initially, its idea was different. A permanent professional parliament, where people work, not simply gather for a short time, was elected for the first time in a democratic way at the congress. Only by means of painstaking activity with the enlistment of competent specialists is it possible to prepare an acceptable draft law clearing the way for the solution of specific problems."

However, a professional parliament also requires an appropriate preparation of deputies. But what did speeches by many of them at the congress show? Telling workers about his impressions, the academician drew attention to the fact that many deputies, fulfilling pre-election promises, apparently came to the congress to "divide the pie" and everyone wanted to "cut off" a bigger and juicier piece. According to estimates by specialists, in order to fulfill all the demands of deputies, more than 1 trillion rubles will be needed. Rural areas must be given their due. Medicine is in a neglected state.

Education, also. Our industry's assets are incredibly worn out. The housing problem is acute as before. And so on and so forth.

If the principle of division prevails over the principle of increment in our common "pie," the budget deficit will not only fail to decrease, but will increase even more with all the ensuing negative consequences.

Therefore, in L. Abalkin's opinion, the thinking of our body of deputies and every people's deputy should become truly sagacious, so that every deputy, while defending the interests of his constituents, may think in terms of general state categories. Only in this case will there be the possibility for a weighed determination of priorities. However, this is attained not in the form of meetings, but by means of political consent. That is, consent as to which problem should be considered an immediate one and which—no less acute or important—should be considered problem No 2. "Otherwise, we can simply 'tear' the power apart into pieces and not solve anything at all," L. Abalkin said.

Of course, all those present at the meeting were mostly interested in the following question: How will we go on living? What should be the basis for the government's program of actions in the economic sphere?

"First of all, it is necessary to single out short-term, urgent tasks, which must be solved in the next 1 and 1/2 years, no longer. During that time," L. Abalkin believes, "the further development of crisis phenomena should be stopped.

"Unfortunately, a marked, visible deterioration in the economic situation has occurred in the last 1 and 1/2 years, continuing to this day. Therefore, now the main task is to stop the further escalation of negative tendencies and deterioration in the situation and to begin to slowly 'extricate ourselves,' striving for visible, marked results in individual spheres, which would be really felt by man.

"In order to fulfill this task, there are a number of measures. Most of them were mentioned at the Congress of People's Deputies. They include a financial recovery of the economy, reduction of capital investments, conversion of military production, and others.

"The second, later stage," continued L. Abalkin, "but no less complex and crucial, is the 'entry' into the 12th Five-Year Plan. We lived through 12 five-year plans—60 years passed from the beginning of the first five-year plan. Now there is a need for a qualitative spurt and a transition to a fundamentally new 5-year economic management system unknown during past history. We should build this system, leaning on the development of economic methods of management."

They include the transfer of republics to self-management and self-financing principles, drafting of the Law on the Local Economy, transition to the tax system of management, including tax principles of mutual relations between the economy and the budget, restructuring of the credit-bank system, and others. Only

by utilizing this entire economic arsenal will we be able to expect a gradually rising improvement in the economic situation from the beginning of the next five-year plan. Along with this, L. Abalkin noted, it is necessary to hold back the implementation of everything that cannot develop into a real effect by 1995.

Finally, the third stage singled out by L. Abalkin. It pertains to the more distant future. Right now we should think about fundamental changes in technology and techniques, which will bring our country a fitting position in the world.

What is implied by extraordinary measures for normalizing the country's economy? Answering this question, L. Abalkin said the following:

"There are measures connected with the introduction of the new economic mechanism; for example, the transition to the system of profit or income taxation, development of wholesale trade in the means of production, and so forth. These are elements of a stable system and, therefore, are not extraordinary measures. But the application of some one-time effective means can be of an extraordinary nature. These can be restrictions imposed on the utilization of resources by enterprises, or freezing and temporarily closing down construction projects that have already been started, and a number of others. A series of these measures are now being discussed by the government with due regard for widely utilized world practice."

In connection with this what should our attitude toward expenditures on space programs be? Perhaps we should completely give them up temporarily?

"I think that this problem has two sides," L. Abalkin said. "Today expenditures on space, as on military purposes, are excessive. Therefore, they should be reduced and the released funds should be utilized for social purposes."

"However, there is another aspect, which should not be forgotten. A state, which wants to remain a great state and lay claim to the leading position in the world, including in the field of scientific and technical progress, cannot give up expenditures on the implementation of large-scale expensive programs connected with scientific research. In the final analysis, they produce a very big effect and give a vast, purely economic gain."

"It is extremely dangerous to give up this research completely, because the loss of a few years on freezing scientific research can become irreversible and make the country dependent not only economically, but also politically. Our people will never go for this."

At the Congress of People's Deputies economic scientists put forward a number of proposals for economic development. Worker G. Vasilyev asked L. Abalkin how he evaluated these proposals. In his opinion, do they deserve to be included in the government program of actions?

"The government program is an open program," L. Abalkin noted. "It is open to any valuable proposals regardless of who makes them. Many provisions expressed by deputies, who are economists, have been included in the congress decree."

"On the whole the majority of the expressed provisions are not of the nature of a direct alternative to the congress resolution: either-or. They supplement what has already been stated by many other deputies and reflect what has been produced by economic science recently. To be sure, everything that is valuable should be taken from this."

"With regard to N. Shmelev's speech," L. Abalkin continued, "in my opinion, he spoke at the congress very professionally and competently. This was one of his best speeches, although in journal articles he often manifests one-sidedness in his opinions."

"I am always disturbed," Leonid Ivanovich noted, "when a profound scientist begins to play up to the public and tries to use a more flowery language and to shout more loudly. In my opinion, in no way can this be permitted."

Deputy B. Yeltsin announced that for him the title of people's deputy was much more valuable than the post of minister. Why did you, Leonid Ivanovich, workers M. Dorkin, L. Novikova, and others asked, decide to part with this honorary title?

"As I have already said, the country is in the most difficult situation, in a state of crisis," Leonid Ivanovich began the answer to this question. "There are many people who want to criticize the situation and to be in the opposition. After all, this is beautiful and not difficult. I can tell myself: Just answer journalists' questions and give interviews. However, someone has to work. Someone has to save the country. There is still a chance to get it out of the crisis. And people with a sense of duty to the country and society should take the maximum part in this. Its forms can be different. I appeal to all my colleague deputies, figuratively speaking, to put on a shoulder strap and 'to tow the barge,' like the bargemen in Repin's picture. Therefore, I have agreed to resign my commission as deputy and, essentially, to switch over to a difficult job, which is new for me."

It was said at the meeting that many reprimands addressed at cooperatives are heard today. The high prices of goods produced by them and the superincome of cooperative workers, which by no means is always due to a corresponding labor productivity growth, evoke people's understandable irritation. It was clearly felt in workers' questions and retorts. They said that the best

personnel went to cooperatives. Do we need such a cooperative movement? This is what L. Abalkin said:

"I believe that the development of the cooperative movement is one of the major achievements in the area of economic restructuring. This is connected not only with the place occupied by cooperatives in the sphere of production of goods and services. This is very important, but not the chief thing that we expect from them. Cooperatives have destroyed the monopoly of the state sector. Without a destruction of this monopoly we will have neither a real competition, nor high production efficiency, nor normal economic relations.

"Furthermore, I think," L. Abalkin noted, "that the development of cooperatives is the only method of introducing true cost accounting at state enterprises. After all, all the speeches about full cost accounting and self-financing were made one-fourth of a century ago. And nothing could be realized. Even the fact that some workers now leave for cooperatives is a positive symptom. If you want workers not to leave a state enterprise, give them the opportunity to realize their abilities and their labor as they can do this at a cooperative. This is the way to true cost accounting."

Incidentally, cooperatives that are bought up and cooperatives connected with public dining now make up about 10 percent (in volume). Most of them are engaged in the production sphere and in construction. They show quite good results. For example, all construction cooperatives perform operations at state rates and labor productivity at them is two-or three-fold higher than at state construction organizations.

"I have the impression," L. Abalkin said further, "that at times some people try to consciously shift public attention to cooperatives with a view to concentrating the entire dissatisfaction with the state of affairs in the economy on them and diverting public opinion from the search for the main causes of the situation that has been created.

"Of course, many negative things in the activity of cooperatives can be found. However, some mold and scum is always added to any progressive phenomenon. It is important, as the saying goes, to separate grains from weeds."

The meeting ended. Leonid Ivanovich Abalkin left the hall. A leader of the plant's brigade of workers approached him and asked: "Leonid Ivanovich, is it impossible to see to it that the collective itself disposes of everything that the brigade earns?"

We did not hear what L. Abalkin answered. However, many brigades, which changed over to cost accounting a long time ago, work precisely in this way. The Law on the State Enterprise also provided for other, very broad, rights for labor collectives. But they are still used timidly and incompetently. Perhaps this is why the economic reform is moving so slowly...

## Conference Assesses Economy, Prospects for Perestroika

### Economic Legislation Pending

18200406 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 1 Jul 89 p 2

[Speech by P. Bunich, corresponding member of the USSR Academy of Sciences, deputy chairman of the Committee on Economic Reform Problems of the USSR Supreme Soviet: "Tomorrow—Leasing"]

[Text] On that day, 28 June, people telephoned the editorial department with approximately the same question: Which economists, managers, and people's deputies will be there? It concerned the newspaper's authors invited by us to the Hall of Columns at the Palace of Unions for a meeting with readers on the occasion of the 20th anniversary of publication of SOTSIALISTICHESKAYA INDUSTRIYA's first issue. This date falls on this day, 1 July. However, we announced it, naturally, in advance both in the newspaper and by means of invitations. The meeting turned out to be not a celebration, but extremely business-like, current in ideas, and sharp in the dialectics of speeches. Of course, people spoke about the newspaper—there were both good words and concerned criticism. However, the speakers put their entire ardor into a discussion of problems of the economic reform and the restructuring of society.

[P. Bunich]:

State property does not work. How to deal with it? At this stage it is impossible to think up anything else but leasing. If we lease out capital, we find application for state property: If you don't want, don't take.

Now enterprises are being transferred to leasing in the following manner: Payments to the budget remain the same as they were before. Therefore, a good enterprise gives back everything, a bad enterprise gives back nothing, and the worst enterprise gets everything. From where then will the good enterprise, which should create property, take resources for the new property? If there were a tax, it would be another matter. Everyone pays a tax. It is equally difficult and fair for all. True, a tax is not collected from an unprofitable enterprise, but it will not be helped either, and this is the chief thing.

I worked at the editorial commission of the congress, which wrote down the following: A package of three laws should be adopted this year. Three laws on cost accounting, which can be considered necessary, but cannot be considered sufficient—sufficient so that as of 1 January of next year we may have a more or less decent cost accounting.

The first is the law on leasing. An ukase is now in effect. However, it was adopted only in order to remove shackles from the enterprise. It states that raykoms and central committees of communist parties of republics must ensure a general development of leasing relations.

This ukase does not have much good in it, but it opens the way. In half a year there will be a true Law on Leasing.

The second law concerns uniform taxation. Incidentally, the idea that a law on the enterprise uniform for all should be created was heard for the first time. It should be created on the basis of the Law on Cooperatives, because precisely it represents the healthy beginning, which exists in our economy. Unfortunately, however, the fire at the Law on Cooperatives and nonextension of its strong sides to the state sector continue to this day. The editorial commission also wrote down the following. A single taxation system should be worked out for the country. For now no one in our country pays taxes, everyone pays deductions from profits. Deductions from profits represent an antitax: If you work well, pay. If you don't work, don't pay.

The third is on regional cost accounting. It completes the creation of the package of laws on cost accounting.

Why should they be worked out precisely now? In order to save the year and to snatch out the spoiled economic mechanism from the five-year plan, because the old five-year plan and the new mechanism are incompatible.

### Price Hikes Preferred Over Rationing

18200406 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 1 Jul 89 p 2

[Speech by V. Selyunin, commentator on current affairs: "Shock Measures Are Needed"]

[Text] The 20 years of the newspaper's existence flew by imperceptibly. How did things go with us? At that time all the issues were the same, there was nothing to read. Obviously, not only readers, but also the supreme leadership, became tired of such a situation. The following command appeared: The press should raise acute questions and important problems. If you give such material, it comes literally from the printing press. True, this did not last long—about half a year. Then a new command was received: People should be educated with positive examples. Our great merits and advantages should be exposed. However, newspapermen are the following kinds of people: Give them a finger and they will chop off the hand. They have already learned how to take advantage of the opportunities afforded them at first. In general, we were preparing the present time as we could.

Now everything has changed sharply and the most fertile time has come for journalists, although to a certain extent it has become more difficult to work: The responsibility is bigger. The wave, when people snatched newspapers and journals from each other's hands and told each other about materials noted for sharp criticism, has swept back. Now it is not enough to scream that it is bad. It is important to find ways out. In this sense I like SOTSIALISTICHESKAYA INDUSTRIYA. I look at it a little from the side and I see: It has a firm line. This is

very important in our desperate time—desperate in the sense of the economic situation.

Here events are rapidly developing into a negative side. Last year the increase in the population's monetary income totaled hardly less than 40 billion rubles. This proved to be sufficient to ruin the consumer market. During 4 months of this year income rose by 20 billions. In essence, we hand out empty money, people cannot spend it. The time of wages comes, but there is nothing to pay with. There are demands and telegrams: Print money. There is no place to hide. After all, one cannot tell a person: Why do you need this paper?

Such a situation has not been observed in our country since war times. Every day of such a financial policy inevitably postpones economic recovery. Firm, unpopular solutions are needed here. I am convinced of this. I am happy that on the newspaper I have people who hold similar views. They offer these solutions and are not embarrassed by the fact that some people may not like them. In the end everyone will have to pay. Public opinion and readers must be prepared for these difficult solutions.

What do I have in mind? We will have to embark on a rapid hike in retail prices. Either prices will rise and goods will begin to appear on counters, or we are doomed to ration cards. The machinery has already been put into operation: Ration cards and coupons have come down on us in torrents. I don't know what can be worse for perestroika. Ration cards represent a departure from the ideas of perestroika and from the change in production relations. When we introduce them, a person ceases to be even the owner of his own wages. They belong not to him, but to those who give permission for the issue of goods according to ration cards. Therefore, however unpleasant and unpopular the prospects for a rise in prices may look, they seem to me preferable.

The country needs a deflationary shock. It is necessary to break the unhealthy tendency and to stop the distribution of money, but by a method, which is in the spirit of perestroika. Economic reforms must be carried out urgently. It is time to proceed from talks to deeds.

### Looking at Party's Role

18200406 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 1 Jul 89 p 2

[Article by V. Korneyev, secretary of the Kalininskiy Raykom in Moscow: "Time of Renewal"]

[Text] It has now become almost the rule of good form to blame the party for all the troubles heaped up on us. In particular, this was also manifested at the congress of people's deputies. Unfortunately, party workers, who spoke there, were unable to give the proper answer. Others did that for them. To be honest, I myself am not an advocate of verbal squabbles. The party should demonstrate its vanguard role in society and in each of its structures with concrete deeds.

I will not make secret of the fact that there are many reasons for criticism. For example, it is obvious that party committees lag noticeably in the restructuring of intraparty work and in the development of democracy and glasnost. By habit we try to solve new problems by old means and methods. Having restructured the party apparatus, we have not yet found the most efficient forms of political effect on the economy, on the development of the social sphere, and on people's education. A serious renewal of all forms of ideological work is needed.

I don't agree with the widespread opinion that, allegedly, party committees do not want to share their power with soviets. It should be clear to everyone that those that have means at their disposal have power. However, neither the raykom nor the soviet had or has these means. As before, ministries and departments rule at the ball.

I will also talk about another thing. The formation of various kinds of clubs, committees, fronts, and other informal associations is due not only to the increase in the people's political activity, but also to the omissions of party committees. Did no party worker really know that it was necessary to save Baykal, the Aral, and the Volga and that in many of the country's regions the ecological situation was on the verge of a disaster? The question of saving such cherished corners of living nature as Losinyy Island or Bittsevskiy Park in Moscow is just as acute now. This means that we do not feel so acutely present problems, which disturb people, and we do not listen to their voices. Therefore, I am convinced that from confrontation and a lack of understanding we must change over to a dialogue with informal associations and joint creative work. Party prestige will only gain from this.

And if I have already begun to talk about prestige, I would like to note that the party has 20 million members. According to the work, life position, and prestige of each of them people form the opinion of the party as a whole. Therefore, an indiscriminate criticism of the party does not have a constructive basis. Let us talk specifically about people and about party committees from top to bottom, which are guilty of certain errors and miscalculations.

What do I believe that the party needs now? First of all, the role of society's political vanguard in the form conceived by V. I. Lenin should be given back to it. Stalin seriously deformed Lenin's concept of the party and methods of party leadership and rejected collective and democratic norms of intraparty life, replacing them with one-man management and administrative-command ones. It is necessary to revise many different long-obsolete instructions and statutes. Party committees cannot have any secrets from rank-and-file party members and from the people. In connection with this I think that right now it is necessary to closely analyze every line of Party Rules and the Party Program, which, in my opinion, greatly lag behind present requirements.

### Replacing Plan With Market

18200406 Moscow *SOISIALISTICHESKAYA INDUSTRIYA* in Russian 1 Jul 89 p.2

[Article by V. Korchagin, president of the Association of Rossiya Cooperative Workers]

[Text] Is it possible to improve the economy without changing anything in it fundamentally? The 5th year of perestroika indicates convincingly—it is impossible! Therefore, a radical economic reform is needed. We based ourselves on this when we were developing the association program.

Land should belong to those who cultivate it. Only in this way is it possible to truly interest everyone in final results. Therefore, we consider it advisable to reorganize kolkhozes and sovkhozes either into agrofirms in the form of a joint-stock society, or into family farms on the basis of the farmer's private ownership of the means of production, including land.

In order to feel oneself a master, a person must be one.

We propose that enterprises be transferred to workers in the form of cooperative property free of charge. Why free of charge? Because these enterprises were built with the money of the same workers, from whom by means of clever methods the bulk of the earnings was withdrawn and for whom only pitiful crumbs were left. At the same time, if we take into account that equipment and technologies have become obsolete, especially at enterprises of group B, which produce consumer goods, their value is not so big.

Consumer demand best plans the output of products. Therefore, it would be more correct to replace state planning with marketing and to orient enterprise management systems toward the market. That is, in our opinion, a market economy supplemented with state regulation is needed.

With what is this connected? Enterprises of group A hold the lion's share in the volume of industrial production. The workers of these enterprises receive wages, but do not produce goods. The mass of money grows, but goods do not increase. As long as we do not eliminate this disproportion, we will not achieve big changes. Another weakness in state planning—the plan is given in rubles. Hence the attempt to produce more expensive goods, disregarding expenses.

Hence the next tenet of our program: Objective market laws best set prices. The market with its competition "plays for a reduction" much more effectively than the State Committee on Prices. One does not need to go far for proofs. Suffice it to recall: In our country during the last decade prices have been only rising and have never declined. So, do we need the State Committee on Prices, which has long turned into a "price rise committee"?

Finally, the last: To replace state management with self-management. Not for nothing is it said that a ministry,

which does not exist, best manages an enterprise. Therefore, we propose the abolition of all sectorial ministries, all main administrations, and similar organizations.

In the cooperative sector everything is simpler: the enterprise-market-bank. An enterprise produces products and delivers them to the market. If a commodity is bought, it means that money goes to the bank. If a product is not in demand, the bank account is empty. A very simple economy. And very effective.

However, a radical economic reform cannot be carried out without a political reform. Only such an approach will save us from the humiliating poverty, in which the majority lives today.

### Situations in Poland, USSR Compared

18200406 Moscow *SOTSIALISTICHESKAYA INDUSTRIYA* in Russian 1 Jul 89 p 3

[Speech by Ye. Czylinski, press counsellor of the Embassy of the Polish People's Republic in Moscow: "It Is Easier To Learn Together"]

[Text] I listened to the discussion organized by the editorial department in the form of a symposium on the occasion of the newspaper's "youthful" 20-year old anniversary. Incidentally, this was a very original and interesting form of celebration. I would say that it was worthy of the spirit of perestroika. I congratulate you. I also congratulate you for another reason, namely, for the fact that at this symposium on the ways of perestroika and its bright sides and shadows the editorial department managed to gather so many splendid speakers and so many famous names. This attests to the position that the 20-year old newspaper celebrating its anniversary has managed to win. If not for my position of being a guest from the embassy, which prescribes, according to the protocol, restraint in the expression of emotions, I admit that it would be very difficult for me to decide which speaker should be rewarded with the greatest applause.

In the discussion I sought out with special attention what was closest to my Polish ear, that is, the discussions of Polish leftist forces within the framework of our renewal. This is natural. I exclude what are specific Polish features. In particular, they include rural areas. In connection with this the concept of "leasing" is not present in our discussions. However, the problem of the tremendous neglect of rural areas, which has been accumulating for years, is present.

The big—let us call it historical—experiment in a fundamental renewal of socialism is common to both countries. To compare which of these experiments has advanced more or less means to contradict dialectics. The appropriate criteria are absent here. To be sure, the vast movement of the superstructure, if we use the old terminology, is common in this experiment. Glasnost exists in both countries. I, personally, who have arrived from Poland recently, am impressed by it in your country. However, the point is that the basis with

everything that, in the main, forms the consumer's daily market lags behind the rapidly changing superstructure, if again we stick to such terminology.

Here is the problem and one of the numerous questions also formulated in the editorial discussion: Does this mean that it is easier to make changes in the sphere universally called democratization? It would seem, yes. At the same time, however, does this not mean that the development of democratic institutions should create the necessary condition for an approach free of dogmas to the most difficult problem, which the economy is? I have no doubts in this respect. Personally, I cannot imagine that unusually difficult economic transformations affecting primarily matters of daily existence basic for man can occur in an atmosphere when the press and public opinion are tied hand and foot.

What else did I perceive in the discussion as common to our countries? The direction correctly called giving back to the working people the rights of the master of land, which they plow, and of the plant, at which they work.

I do not know how true the following old Russian statement, which Prof N. Eideman recently cited in his articles in the Polish press, is. A revolution in Russia begins from Poland and then passes from Russia to Poland. I recall this saying only because in the Polish People's Republic people are profoundly aware of the fact that the processes of renewal in both our countries are mutually interwoven, mutually affect each other, and mutually, if one can say so, learn from each other. It is always easier to learn together.

### Lease Payments, Incentives Discussed

18200416 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 6, Jun 89 pp 91-97

[Article by I. Shevchenko, docent of the Department of Political Economics, Kuban State University: "The Leasing Contract at the Enterprise"]

[Text] The leasing contract is a form of sale of socialist property whereby public production funds (fixed production capital and regulated circulating capital) are transferred for the temporary use and possession of a labor collective for a certain amount of time. Leasing makes it possible to bring the property closer to the worker, makes him the real master, and increases the material interest and responsibility of the labor collective and each worker for the final results.

The leasing contract provides for increased effectiveness of production, but only when certain conditions are created for this and where the labor collective itself wishes to change over to it. The collective of the leasing subdivision is given the right to independently resolve problems of personnel support and the selection of conditions for the shift operation of the equipment and sets up and organizes accounting between the leasing subdivisions according to planned report prices for raw material and semimanufactured products and at calculated prices for finished products. It determines the areas

for the expenditure of revenue under economic accountability and funds for the development of production and social development. It distributes the unified wage fund among members of the collective according to the amount of time worked and depending on the personal contribution of each worker to the final result of labor. It forms the reserve fund at its own discretion. It independently handles problems of material and technical supply and sale of finished products produced in excess of the state order, and so forth. In other words, the range of problems now solved by the leasing subdivisions themselves is expanding a great deal.

The agreement for the leasing contract is concluded for a particular period of time during which the interrelations between the parties are arranged. There are several variants of the expedient time period for a leasing contract. In one case it is conditioned by the economically expedient period of the utilization of the equipment rented by the enterprise. In another case the effect of the agreement can be limited to the period of output of the products if one has a small-series type of production in mind.

For the use of the public production capital the collective must pay the leasing payment which includes the enterprise's expenditures on maintenance and utilization, and also part of the profit received by the leasing subdivision which is used to make centralized payments into the state budget and to the higher management organs.

Methodologically, the question of calculating the leasing payment is one of the most complicated in the organization of the leasing contract. At the present time there are several approaches to its determination. The first is based on including in the leasing payment all kinds of payments made by the enterprise to the higher organization and the state budget. The leasing payment of the shops is formed in proportion to this. Leasing shops must participate in the formation of funds for deductions sent to the higher organs. But here arises a complex methodological problem of determining the proportion of their expenditures in the overall sum of the enterprise's payments.

The second approach presupposes payment of a small symbolic sum of rent by the leasing subdivision to the enterprise. Most frequently in this case the leasing payment includes two amounts: amortization deductions for leased fixed production capital and payment for it. As a rule, the leasing shop is released from other kinds of payments of a plantwide nature. But this practice cannot be considered correct since the beneficial conditions for the formation of revenue under economic accountability of the collective create the appearance of great advantages of the leasing contract which are not conditioned by the collective's labor contribution.

And finally, even less frequently they use the third approach which, in our view, reflects the simplest case in which leasing collectives are fully relieved of the leasing payment for a particular period of time.

In practice, it is expedient to use two methods to calculate the amount of the leasing payment (depending on the degree of development of the intraproduction leasing contract). If the entire plant has gone over to leasing, intraproduction leasing relations between the shops and the enterprise should also be arranged according to the principle of distribution of the amount of the lease payment among the subdivisions depending on the degree of participation of each shop in the formation of the total revenue under economic accountability. Herein lies the essence of the first method, whereby the overall sum of the lease payment is distributed in proportion to the shop's revenue under economic accountability. In order to differentiate the payments among the various shops it is possible to use another criterion besides the share of the shop's revenue under economic accountability in the overall plant revenue; for example, its distribution in proportion to the number of industrial production personnel, the labor-intensiveness of the program, and, finally, the wages. But the first method is more precise and acceptable for correct organization of economically accountable interrelations among plant subdivisions.

But if the enterprise has not changed over to leasing and the shop has contractual relations with the enterprise, it is expedient to use another method—element-by-element calculation of the amount of the lease payment. To do this it is necessary to single out the basic elements from which it is formed. In our view, one must determine: the payment for fixed capital; amortization deductions for complete restoration of production capital (in the case of centralized accumulation of money for the amortization fund); payment for labor and natural resources (at rates adopted for each branch); coverage by the leasing shop of part of the general plant and nonproduction expenditures of the plant in proportion to the labor-intensiveness of its production program; part of the profit of the leasing subdivision paid to the enterprise for settling its accounts with the budget, the higher organs, and finance and credit organizations.

When calculating the amount of the leasing payment for the subdivisions one should take into account a number of fundamental points. In order to get an idea of them let us briefly consider the basic provisions of the process for calculating the lease payment. The question should not arise with respect to the first two elements since they characterize the essence of the process of leasing and transferring production capital to the possession of the labor collective. But if the leasing subdivisions form an amortization fund directly, there is no need to include this element in the lease payment.

Payment for labor resources is calculated on the basis of rates that are accepted in the given branch. In order to motivate the collective to work with fewer personnel it is necessary to envision the possibility of reducing this element of the lease payment by the amount of the reduction of the number of workers. For instance, if this year the collective has reduced the number of workers by five, the annual sum of the lease payment is reduced by R1,500 ( $300 \times 5$ ).

In order to calculate the proportion of shop expenditures in the items of the estimate of expenditures for the entire enterprise entitled "General Plant Expenditures" and "Nonproduction Expenditures," this methodological device should be used: Determine it in proportion to the labor-intensiveness of the leading shop in the overall labor-intensiveness of the enterprise's program.

Since the agreement of the leasing contract is concluded for a long period of time, a quite legitimate question arises: How does one determine the lease payment for this entire period? Methodologically there is no doubt that it should increase from year to year since the production volume of the leasing subdivision, labor productivity, and the sum of revenue will increase. But how does one predict the amount of the rate of the lease payment 8-15 years in advance if there are no plans for this long-range period at the enterprise, not to mention its structural subdivisions? Apparently it would be expedient to determine the differentiated amounts of the lease payment in proportion to the growth rates of the production volume of the leasing subdivision or the normative net output. It would also be possible to use for these purposes the indicators of the growth of labor productivity. But in this case the amount of the lease payment would be less precise since a growth of labor productivity can be provided through reducing the number of workers of the leasing subdivision without increasing the absolute production volumes and, consequently, without increasing the amount of the revenue under economic accountability.

By introducing leasing relations one provides for greater material interest of the workers in the results of their labor. What motivates a collective that has leased production capital?

First of all this means that the labor collective acquires real independence. All relations with the higher organ are arranged on a contractual basis where it is concretely pointed out what the lessees must do and which state order must be fulfilled. They are given the right to independently produce and sell products in excess of the state order through direct ties with enterprises and cooperative organizations, under agreements with intermediaries, or through the policy for organizing wholesale trade. In a word, the right of the leasing collective to sell its products independently on the socialist market in excess of the necessary assignments and state orders is a real material incentive to increase production volumes.

Having settled with the higher organ the payment for leasing the means of production, the collective has the right to determine independently the degree of participation of each in the overall results of labor. One establishes not simply the wage paid according to the norms and wage rates, but the real contribution of the participants to the enterprise's revenues. The earnings of the worker-lessee are divided into two parts: from the rate, calculated according to the wage rates and salaries in effect at the enterprise, and additionally, which is formed as a result of leasing revenue and additional

earnings received by the collective. While the first part is distributed in proportion to the amount of time worked, the second makes it possible to provide for the participation of each worker in the collective's profit depending on his concrete contribution and the overall results of the work of the collective according to the coefficient of labor participation.

One more lever is in effect in leasing relations: interest in economizing on materials. For large expenditures by the collective of lessees on raw and processed materials and their inefficient expenditure will ultimately reduce the amount of revenue under economic accountability and, correspondingly, the unified wage fund.

As a result, savings on material expenditures will lead to growth of the unified wage fund. One must say that this incentive causes each member of the production collective to be concerned about economy in each work place. This is also shown by the experience of numerous collectives that have already changed over to the leasing contract: There is a multiple increase in the influx of various proposals from workers concerning economizing on raw and processed materials, improving the quality of the work, widely applying new methods of organization and cooperation of labor, and so forth.

All this makes it possible to speak about leasing as a new form of organization of labor and production which makes it possible actually to interest the entire production collective and each member individually in increasing the production volume, improving its quality, and saving on the funds that are used. A high level of material interest is a real incentive for the labor activity of the lessee subdivisions. Understandably this makes the collective itself keep strict track of the utilization of material resources and the distribution of the money that is earned.

It is expedient to account for the expenditures and results of the work of the leasing subdivision with checks. For accounts with the higher organ (enterprise) the lessee subdivision is issued three checkbooks: the limit checkbook for material expenditures and services, and checkbooks for accounts for finished products and accounts for wage funds. All the data concerning the utilization of checkbooks are reflected in the individual account of the lessee subdivision. The difference between the sum of product sales and the expenditures forms the gross revenue of the lessee subdivision, from which one subtracts the lease payment and the balance of claims under economic accountability. The remainder will quantitatively reflect the sum of the revenue under economic accountability.

The amount of the revenue of the lessee subdivision under economic accountability depends on: the growth of the production volume achieved without increasing the consumption of material resources; the savings on all kinds of consumed material resources and payment for services of auxiliary shops; the reduction of the number of workers and the growth of their labor productivity; the

growth of the effectiveness of the utilization of leased production capital and means of transportation

In order to organize an intraproduction leasing contract it is important to take into account the peculiarities of the distribution of revenue under economic accountability. They pertain to the expediency of the formation of a fund for the development of production, science and technology, and the fund for social development in the lessee subdivision which is a structural part of an enterprise. In other words, is it worthwhile to form a fund for the development of production and a fund for social development in the shops if they are not large enough and do not have the necessary number of workers? In solving this problem it is necessary to proceed from the following points.

A small shop that has leased production capital from an enterprise will not be able to use the money from the fund for the development of production for restructuring and modernizing production, will not be able to conclude independent agreements for the acquisition of new equipment that is necessary from the standpoint of the labor collective, and will not be able to construct new production buildings with its own funds. In this case two problems will be fundamental: the inadequacy of their own funds for carrying out programs for the development of production and the lack of independent personnel who are capable of arranging the process of reconstruction and modernization by expanding ties with other enterprises and organizations. Therefore in a small leasing subdivision it is inexpedient to form a fund for the development of production with a special account but it is quite justified to keep track of the sum of accumulated funds. Then the collective itself will keep track of the availability of funds necessary for its technical retooling and know its own share in the possible renovation of production. Then, under agreement with departments of the enterprise, the leasing subdivision has the right to ask them to render technical assistance in implementing the program for the development of production. Allotting the leasing subdivision the fund for the development of production will make it possible to eliminate the anonymity of the distribution of the funds earned by the collective by the management staff of the enterprise at its own discretion without taking into account the real contribution of each worker of the structural subdivision.

But if the sizes of the shops make it possible to accumulate funds sufficient for the development of production and there are enough qualified personnel to carry it out, it is expedient to grant the collective the right to use funds for the development of production independently and take advantage of wholesale trade in means of production to solve all problems. In this case centralization of funds can hardly be justified.

A similar situation is created when the leasing subdivision is granted the possibility of independently forming and utilizing social development funds. It is clear that a small leasing shop is not in a position to build residential

buildings independently, concentrating the necessary funds for this, or to implement a social policy. It is hardly expedient even for a large leasing subdivision to solve its own housing and social problems. This is the prerogative of the enterprise. But the leasing collective with excellent production achievements which has financial stability has the right to receive social benefits from the enterprise in proportion to its participation in the overall result. Therefore it is necessary to account precisely for the social development funds that are actually placed at the disposal of the leasing collective.

In order to form funds for the development of production, science and technology, and social development offered to the leasing collective, it is possible to use normatives already prepared and approved by the ministry which characterize the percentage of their formation from the profit of the enterprise. But here it is necessary to translate the absolute amount of the planning indicators for the formation of funds for the development of production and funds for social development from the profit into percentages of the revenues under economic accountability. As a result of this, one obtains the normative value of the formation of funds for social development and the development of production, science, and technology in percentages.

The application of normatives for the formation of funds for the development of production and social funds nonetheless are not a justification for restricting the independence of the leasing subdivision in the area of their utilization. They are applied only in the process of forming the funds from the actual amount of the revenues under economic accountability. In the utilization of the funds the leasing collective has the right not only to determine independently where they are to be used, but also to redistribute them at its own discretion in keeping with the decision of the council of the leasing collective.

A special material incentive mechanism creates the procedure for the formation and utilization of means from the unified wage fund. At the present time, a great deal of diversity has been observed in the area of the utilization of the unified wage fund. It seems to us that it would be expedient to divide it into three independent funds: wage rate, reserve, and leasing revenue.

The wage fund is a kind of advance issued by the administration to the leasing subdivision for the number of hours that have been worked. The money in the wage fund is formed on the basis of the production program in keeping with the planned fund of work time and wages and rates that are in effect. The money in the wage funds is distributed directly in the leasing subdivision in proportion to the amount of time worked. The sum of the wage fund is the minimum paid each month to workers for maintaining their ability to work. If as a result of failure to fulfill the production plan and agreements with structural subdivisions of the enterprise and outside organizations, the amount of the wage fund turns out to be insufficient to pay an advance, money from the reserve fund can be spent for these purposes.

With a deepening of leasing relations and their development and consolidation it is possible to refrain from forming this fund, retaining the old approach, and equalizing aspects that make it possible to guarantee certain sums even to those who have not produced material goods at the proper qualitative level. But at the present time it is necessary to create the wage fund since it acts as a kind of connecting link between the old and the new wage systems. As we can see, the old system is based on standard norms, rates, and job prices that level out the achievements of each specific worker. But the new wage system should be formed completely in keeping with the residual principle. Only that which remains after obligatory deductions, the leasing payment, and the formation of the funds for the development of production and social development is used for wages. In other words, leasing relations are based on the share principle and the creation of an opportunity for each worker to participate in the profit of his enterprise as well as complete dependency of the earnings from the results of the work of the collective.

Since the rates for the lease payments are calculated in terms of the base year, included in them is the principle of the actually existing ratio between the basic (wage) and additional earnings. Consequently, at the present time the share of the wage fund will vary in the range of 70-80 percent. Subsequently, with an increase in the amount of the revenue under economic accountability, it will decrease.

The reserve funds is the share of the collective's revenue under economic accountability formed through monthly deductions of 5 percent of the actual amount. Since the unified wage fund is formed according to the residual principle, in the event of temporary deterioration of the production indicators of the leasing collective, the reserve fund is called up to provide for social stability and not to allow an appreciable reduction of the level of well-being of its members. The money from the reserve fund is registered in a special account of the leasing subdivision. The percentage of deductions into the reserve fund can vary, depending on the decision of the labor collective.

With special designation the money of the reserve fund can be used for: payment of wages to workers in the event that the leasing subdivision fails to fulfill contractual commitments and also if there is an emergency or natural disaster; reimbursement for losses to the enterprise caused by the leasing subdivision because of failure to fulfill the production plan, failure to meet deadlines for the delivery of finished products, delivery of products of unsatisfactory quality, and so forth; restoration of production facilities damaged by the fault of the leasing collective. If the workers are to blame for damage caused to the means of production, because of the commitments made in the agreement which register the responsibility of the leasing subdivision for their efficient expenditure, it makes reimbursement from revenue under economic accountability: the reserve fund or the leasing income.

Naturally the income under economic accountability should be the source of reimbursement for damages. True, sometimes one encounters the opinion that the revenue under economic accountability can be used to cover only part of the losses and the rest should be ascribed to the production cost of the products. We cannot agree with this. In order to mitigate the temporary influence of inadequate results of the leasing subdivision on the amount of earnings, besides money from the reserve fund, it is possible to make up for the loss with equal shares over a period sufficient for the accumulation of monetary funds, using for this not only or, rather, not so much money from the reserve fund as from a the third fund—leasing revenue.

The collective's leasing revenue is formed according to the residual principle after the formation of the first two funds. Understandably, this amount can also vary, depending on the final results of the work of the enterprise. Consequently the increment to the wage part of the earnings will also vary. Additional payments from this fund will essentially absorb all previous kinds of bonuses, increments, and incentive coefficients whose diversity considerably weakened the incentive significance of wages during the period with previous methods of economic management. It would be expedient to distribute money from this fund among lessees according to the coefficient of labor participation using the existing system and provisions for collective distribution of earnings. Our industry has accumulated sufficient experience in the area of application of coefficients of labor participation which can also be used successfully for the introduction of leasing relations.

But the residual principle for the formation of leasing revenue also contains the possibility of earning excessively large amounts. To counter this, in keeping with the Law on the State Enterprise, normative control is applied: A normative relationship is established between the growth of wages and labor productivity. If the normative ratio is exceeded in the leasing subdivision (it is applied in the same way as for the enterprise as a whole), the part of the leasing revenue in excess of the maximum amount is transferred by the enterprise book-keeping office into the fund for social development of the leasing subdivision. This measure, especially in the initial stage of the development of leasing relations in industry, will make it possible to provide fairly precise and fair control over the correctness of the distribution of revenue under economic accountability.

Not everything is proceeding smoothly in the development of leasing relations. There are still some methodological problems on whose successful solution the dynamics of the development and deepening of these relations will ultimately depend. In particular, we have not resolved certain issues related to the calculation of the lease payment. For instance if measures have been earmarked for an enterprise for planned reduction of material expenditures, is it worthwhile to take this into account in the process of calculating the lease payment? Is it expedient to establish for leasing subdivisions

normatives for the formation of funds for the development of production, science, and technology and social development in the same amounts as for the enterprises as a whole? If a leasing contract is made by a shop that cannot conduct independent financial and credit operations, how will the leasing subdivision pay interest on bank credit? How is it possible to determine the shop's share in the payment for bank credit? None of these problems have been resolved yet.

The development of leasing relations in industry, as incidentally in agriculture as well, has contradictory aspects. Economic science can and should give exhaustive answers to these problems as quickly as possible.

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### **Role of Sector Ministries Under Perestroyka Defended**

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[Article by D. Lvov, department chief of the USSR Academy of Sciences' Central Economics and Mathematics Institute and corresponding member of the USSR Academy of Sciences, and S. Glazyev, senior scientific associate and candidate of economic sciences: "Is There To Be a Middle Link Between the Ministry and the Enterprise: The Fate of the Sector Ministries"]

[Text] The question of the fate of the sector ministries is becoming a key problem of economic reform. Interwoven in it, like at a focal point, are the contradictions of perestroyka in the national economy.

On the one hand, there is no place in the new control system for the ministries as organs of administrative control, oriented toward the achievement of formal indices and production volume growth rates. Many people see in them bastions of the administrative system and are demanding their unconditional elimination.

The temptation is great, but fresh in the memory are the bitter lessons of large-scale organizational decisions which were not thought through. Indeed, there is also another aspect to the problem of the sector ministries. Today, the sector ministries maintain millions of economic ties, joining together the producers and the consumers, redistributing resources, organizing intra-sectorial coordination and dislodging from Gosplan investments for the solution of sectorial problems. They are responsible for the production of the output and, if there is a shortage of something, it is always possible to find the responsible ministry and hold it responsible and set a task. Therefore, the danger also arises that, with the elimination of the sector ministries, the economic ties will be disrupted, no one will be held accountable for a deficit and the national economy will embark into the abyss of economic anarchy with unforeseen and hardly pleasant consequences.

The prospects for losing the manageability of the national economy and control over the economic situation, unfortunately, are extremely real. And they are already beginning to be realized. Enterprises, which are attaining self-reliance, are inflating prices and, being monopolies, are dictating an output which is profitable for them and declining the introduction of innovations. Interested primarily in maximizing current income, they sometimes prefer speculation on the deficit to hard work on increasing efficiency and restructuring production lines.

Unfortunately, there are no barriers for the behavior of an enterprise which goes contrary to the national economic interests and no effective instruments for compelling it to increase production efficiency in the new economic mechanism. Moreover, the Law on the State Enterprise, in transferring the proprietary rights to the labor collectives, intensifies the orientation of the economic activities toward the maximization of current income, creating a nutrient medium for the development of inflation.

In our opinion, the problem of the reorganization of the sector ministries is, in essence, the problem of the restructuring of the middle link for the management of social production. The necessity of the existence of this link is dictated by the objective laws for controlling the behavior of complex systems. M. S. Gorbachev's report at the USSR Congress of People's Deputies notes: "The main characters in the economic system should be the enterprises, concerns, joint-stock companies and the cooperatives. In order to solve the common problems and to coordinate efforts, they, apparently, will pursue the path of the establishment, on a voluntary basis, of associations [obyedineniya], unions and societies [assotsiatsii], to which will be transferred the functions of economic management which are currently performed by the ministries. Our experience and the worldwide trends in the development of an economic system convince us of the correctness of this approach."

In a market economy, the role of the middle link is performed by banks, holding companies and corporation headquarters.

The typical enterprise existing in our national economy is more a production apparatus than a commercial mechanism. The majority of the currently operating state enterprises are not capable of gathering and processing the information necessary for efficient economic management activities under market conditions. And even the expenditures for the efficient implementation of these functions are too great for a single enterprise. It is no accident that, under the conditions of a market economy, they are concentrated in the aforementioned middle-link management organs.

We would note that the middle link is objectively necessary for the organization of social production in both administrative and market-economy systems. It is precisely on this link that the main burden of coordination and regulation of the activities of the production and

economic management units and of the responsibility for the satisfaction of public demands and for the timely redistribution of resources from out-dated production and technical systems into new, more efficient ones is placed.

Correspondingly, the economic power is also concentrated in the middle management link. Our sectorial ministries are no less powerful in the administrative system than the banks and corporation headquarters are in the market system. And both the one group and the other are capable of binding to their own will both the consumers and the central organs of state management.

Thus, the power-management situation and the nature of the functions of our sector ministries, on the one hand, and of the banks, holding companies and corporation headquarters, on the other hand, are essentially identical. The differences lie in the content of the performed functions. The sectorial ministries, in conformity with the logic of the administrative system, are responsible for the timely attainment of the production volume indices planned from above, an increase in which, together with the expansion of the sphere of activities, is their "purposeful function."

The institutes of the middle link in a market economy bear the responsibility, first of all, for efficient management, increasing incomes above expenses and preserving and increasing the capital combined in them. Just like the sector ministries, they have been oriented toward the expansion of the sphere of activities, but the possibilities for this expansion in the market medium are determined by the effectiveness in the satisfaction of the consumers' specific demands and not by pressure on the central organs for the obtaining of limited resources. Therefore, even the behavior of the middle link's institutes in a market economy differs radically from that of sectorial ministries in an administrative system. Just the same as their mutual relations with the production and economic management units and with the higher organs of state management of the economic system.

The content of the functions of the middle link for the management of social production should be changed in correspondence with the general change in the content of the economic relations, with a transition from an administrative to a market organization of the management ties. The main question remains: how can this be done in practical terms?

As is well known, a sacred place is never empty and, if the sectorial ministries are eliminated, new forms for the integration of enterprises and corresponding middle link institutes will definitely emerge. In fact, this process has already begun with the weakening of part of the ministries during the course of the management reform. It is manifested in the attempts to establish independent intersectorial production associations, commercial banks, so-called concerns and societies [assotsiatsii]. At present, this process is being obstructed by the remaining departmental

barriers, the subordination of the enterprises to the ministries and the inertness of the thinking of the economic management leaders. There is no doubt that, in the instance of the elimination of the sector ministries, such types of integration processes will intensify sharply. We will attempt to examine what this may lead to.

It is assumed that, under conditions when the joint-share form of organization of social production is lacking, integration will encompass mainly the functions of sale and supply. All kinds of cartel-type formations which preserve the independence of their participants will emerge. The main task of these associations [obyedineniya] will be to ensure the commercial advantages of their participants by means of agreements on prices and the division of the markets. Monopolization of a market will remain extremely high and, possibly, even intensify. Centralized regulation of a market will be extremely hindered, inasmuch as there are no reliable points for its application. The maintaining of complete economic management independence by enterprises which enter into cartel-type associations [obyedineniya] signifies weakness for the middle management link, which will find itself in the role of a place for the coordination of the interests of the participants.

The spontaneous development of the integration processes and the enterprises which have recently found their independence is fraught, as we see, with extremely unpleasant and uncontrollable consequences. The existing management ties should not be broken off too abruptly, which may cause an impulsive and significant reduction in social production and lead to the disorganization of the entire national economy. The management ties are concentrated at the present time in the sectorial ministries. Consequently, it is precisely the sectorial ministries which should become the centers for the new types of integration processes. This may be achieved by means of their gradual transformation into banks, holding companies, corporation headquarters, societies [assotsiatsii] and other institutes for the management of large-scale production under the conditions of a market economy.

The proposed transformation must not be understood as an administrative act of re-naming the sectorial ministries as banks and holding companies and attaching to them their former subordinate enterprises. This is a prolonged process of reorganization of industry, as a result of which, new forms of the integration of enterprises should appear simultaneously with the streamlining of the management ties.

In the first stage, for example, a determination is made of the range of enterprises which are to be united into a new commercial formation. These should be, as a rule, enterprises connected by permanent economic relations through the redistribution of resources. A determination is also made of the center for their future integration, which may be established on the basis of part of the management apparatus of the corresponding sectorial department. Then the form of the future commercial

association [obyedineniye] is established: a syndicate, a trust or a concern. The type of integration center is also selected in relation to this: a trading firm, a bank or a holding company.

In the second stage, it is possible to have the transformation of the sectorial ministry into the corresponding integration centers and attach to it the enterprises. If a concern is considered the most efficient form of integration, this may be done, for example, as follows. An estimation is made of the market value of each enterprise to be included in the concern (for example, starting with the amount of profit brought in by it and the current rate of interest, taking into account the residual value of the fixed and working capital). Shares are issued for this amount, which are distributed, for example, like so: a third is transferred to the bank formed based on the management apparatus of the eliminated sector ministry, a third is distributed among the concern's other enterprises and a third remains at the disposal of the enterprise itself.

As a result, there emerges a new association [obyedineniye] of enterprises, joined together by common capital and interested in the efficient functioning of the entire formation. Linkage through the process of reproduction is a reliable basis for coordination of the economic management activities and the working out of a common strategy for long-term development. The presence of a common center for the accumulation and redistribution of resources, which unites a group of enterprises, not only creates favorable conditions for the streamlining of the entire reproduction process, but also makes possible effective centralized regulation in the interests of the long-term development of the entire national economy.

Banks, holding companies, trading companies and other enterprise integration centers may become sites for centralized influence, through which regulation of the market is accomplished by means of economic methods: preferential credits, special-purpose subsidies and state orders. They will also become centers for financial, information, managerial and trade mediation services for the enterprises.

During the reorganization of industry, of course, monopolistic formations must not be permitted, for which, within the framework of the sector, it is advisable to establish several concerns or other types of associations [obyedineniya] of enterprises, placing them into a competitive struggle with one another.

The transformation of the middle link and the organization of new forms of enterprise integration should be accompanied by a restructuring of the higher social production management organs as well. The sectorial ministries transformed into centers for the integration of commercial associations [obyedineniya] are automatically deprived of the status of state management organs, having been converted into independent economic management organizations.

In order to have centralized management of the national economy, it is necessary to establish new types of ministries, the main task of which will be the shaping of economic conditions for progressive changes in the reproduction structure of the national economy. The basis of their activities should be: the development and realization of special-purpose programs aimed at progressive technological changes for the better; the organization and maintenance of an information infrastructure; the stimulation of scientific research and developments; and the providing of favorable conditions for developing market competition and satisfying public demands.

The financing of the new types of economic management ministries should, in our opinion, be implemented from the resources of the state budget under the realization of programs aimed at solving specific problems. Their number, it seems, may be limited to nine: finances, industry, trade, transportation, communication, power generation, health care, education, and defense.

It is likely that, during their organization, it will be possible to be guided by the presently existing permanent organs of the USSR Council of Ministers, which have no place under the new management conditions. Together with the state committees for science and technology, planning and construction, the functions of which should also be changed correspondingly, the new types of ministries will be able to become the center for the working out of the strategy for the economic development of industry.

## REGIONAL DEVELOPMENT

### GSSR Economist Supports Estonian Concept of Economic Autonomy

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[Editorial Report] Tbilisi ZARYA VOSTOKA in Russian on 14 July 1989 publishes on page 2 a 2,100-word article by Vladimir Papava, doctor of economic sciences and chief scientific associate of the Georgian SSR Academy of Sciences Institute of Economics and Law. The article, entitled "Restructuring the Sectorial Structure," appears under the rubric "Georgia: Concept of National Development." It supports the Estonian concept of economic accountability and argues for the privatization of land and the introduction of separate currencies in each union republic.

Papava believes that the Estonian concept of economic autonomy is "the best document that reflects economic independence of the union republics" and that it should be "adapted" to the socioeconomic, cultural and historical conditions of each republic. He also argues that recognition of small property ownership should be adopted in each republic and emphasizes his conclusion that "it is essential to give land to the peasants for their permanent use and to allow for the right of inheritance."

The author further argues that a separate currency for each republic is "one of the essential attributes of economic independence" because "currency is a real instrument for...protection against inflationary processes of those union republics, such as the RSFSR and the Ukrainian SSR, which are characterized by a relatively high level of socioeconomic development and to a large extent determine the level of socioeconomic development of the entire country," while republics such as Estonia, Latvia, Lithuania, Moldavia, Georgia, and others exert "negligible influence." Without naming specific republics, the author

makes the point that inflation in the larger republics places a "heavy burden" on more developed, small republics, while less developed, small republics, "with their inflationary failures prosper at the expense of their larger confreres."

In conclusion, Papava states that the realization of the Estonian economic model in other republics will encourage development according to specific conditions and is "fully based on the Leninist understanding of the resolution of the nationality question."

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Gosplan Official Discusses Changes Required in Agro-Industrial Complex

18240199 Moscow *PLANOVOYE KHOZYAYSTVO* in  
Russian No 6, Jun 89 pp 48-59

[Article by USSR Gosplan Department Head and Candidate of Economic Sciences N. Borchenko: "The Material-Technical Base of the Agroindustrial Complex: The Need for Structural Change and Qualitative Renewal"; first paragraph consists of key words for the article]

[Text] Linkage between the development of the contemporary foodstuffs-producing industry and radical transformations in the material-technical base of the agroindustrial complex. Optimization of the structure of fixed assets, compliance with rational proportions of the manufacturing of products and their processing, transportation, and sales as a necessary prerequisite for the efficient operation of the entire agroindustrial complex. Need for a qualitative renewal of production potential based on the modernization of machinery and equipment, and the implementation of resource-efficient technologies in production. Changes in the investment and structural policy—basis of transformations in the agroindustrial complex.

The agrarian policy developed by the March (1989) Plenum of the CPSU Central Committee contains an array of statements of a strategic nature, new in principle, which should provide the foundation for the elimination in the few years to come of an acute situation in the supply of main foodstuffs for the populace, and ensure a stable supply of foodstuffs for the population of our country in the 13th 5-Year Plan. Three main avenues can be distinguished along which these tasks are going to be solved.

A profound transformation of the relations of production in rural areas, based on a broad-scale development of intrafarm leasing in kolkhozes and sovkhozes, creation of cooperative, family, and individual farms of lessees, as well as independent peasant farms, is the first and key avenue. It has been set forth that now the land and means of production may be leased by collectives and individual citizens for 5 to 50 years or longer. Leasing as one of the avenues for implementing socialist ownership in the environment of a transition to economic accountability, self-financing, and self-management will manifest itself in the most efficient manner.

Thus, qualitatively new kinds of economically accountable operations in rural areas are being legally asserted. Economic interaction among all production entities—kolkhozes, sovkhozes, collectives of lessees, personal plots of citizens, and peasant farms—will be based on the recognition of their equal economic and social rights,

mutual interest, the creation of a flexible system of price setting, and democratization of management and planning.

Resolutely overcoming the lag of rural areas in their social development, changing qualitatively the mode of work and life, and attaining a socioeconomic balance between urban and rural areas, and between the working class and the peasantry, is the second avenue. The rural toiler with his material and spiritual needs should become the focus of the political and economic activities of all elements of the apparatus and levels of management in deeds rather than words.

The third avenue amounts to a radical change in investment and structural policy aimed at increasing the efficient use of the entire production potential of the agroindustrial complex, renewing the material and technical facilities for agricultural production qualitatively, eliminating the existing disproportions and disequilibrium in the development of its branches on the basis of an accelerated implementation of scientific-technical progress and the expansion of resource-efficient technologies

Proceeding from this, we are to develop new approaches toward the creation of material-technical facilities for agricultural production. Its composition and structure should strictly correspond to the profound socioeconomic transformations occurring in rural areas.

As the practice of recent 5-year plans has shown, the exclusively quantitative build-up of production potential does not produce the desired effect in increasing the manufacture of products and growth of labor productivity; a profound qualitative transformation of this potential is necessary.

The material and technical facilities of the agroindustrial complex developed on extensive principles and under the cost-based approach are imperfect and have an array of serious shortcomings. Great losses of agricultural products result in an imbalance between the volumes of their output and the capacity to process them; facilities for storing, transporting, and marketing them are underdeveloped. For a long time, disproportions between arable farming and animal husbandry, and between the genetic potential of cattle and their supply of fodder, have not been eliminated. Large excessive utilization of grains is caused by the shortage of fodder protein in the rations of cattle.

Differences in the development of material and technical facilities among the regions of our country are essential. Irrational structures of fixed assets, their age and qualitative breakdown, technical obsolescence, and a poorly developed production and non-production infrastructure of agroindustrial production reduce the efficiency of utilization of the entire resource potential, influence final results unfavorably, and disrupt the pace of work of all agroindustrial production.

Calculations made by research institutes of the VASKhNIL [All-Union Academy of Agricultural Sciences and Forestry] indicate that the liquidation of intrabranch disproportions in the agroindustrial complex alone is equivalent to increasing production by approximately 10 to 15 percent, which in monetary terms amounts to between 45 and 50 billion rubles. As can be seen, this increment can be quite weighty.

The planning and economic organs should pay particular attention to the existing gap in the ratio of production to non-production assets in the agroindustrial complex. Out of 503.8 billion rubles of fixed assets in the agroindustrial complex, non-production assets amount only to 109.7 billion rubles, or 21.7 percent; in agriculture, respectively 393.8 and 88.8 billion rubles, or 22.5 percent; in the processing industry, 38.2 and 4.2 billion rubles, or 11 percent. At present, the availability of non-production assets per one person employed in rural areas is almost two times lower than in the city, and amounts to about 4,000 rubles, whereas that of production assets is 14,700 rubles.

According to the research done by the All-Union Institute of Agricultural Economics, the optimum ratio between production and non-production assets in agriculture should be 2:1, whereas actually it is 4:1. The unsettled character of rural work and life brings about a constant outmigration of the population from villages. The results of a survey carried out have shown that dissatisfaction with labor conditions is the main cause of the outflow of labor from kolkhozes and sovkhozes. Ninety-seven percent of milkmaids and 67 percent of tractor operators who have migrated to the cities attribute their reluctance to work in agriculture to this very factor; 66 percent of rural teachers have left rural areas because of poor housing, cultural, and living conditions in rural areas.

In some major agricultural regions, such as the Non-Chernozem Zone of the RSFSR [Russian Soviet Federated Socialist Republic] and the Far East, the outflow of population from rural areas has reached critical levels. Many farms in these areas have become entirely depopulated, and there is nobody available to work and live there. As is known, the machinery and assets are dead in the absence of people.

Overcoming the historically evolved lag in the social development of rural areas is a particularly significant endeavor. The March (1989) Plenum of the CPSU Central Committee adopted a broad-scale program of social development of rural areas, which provides for the accelerated allocation of funds for the transformation of rural areas. Overall, capital investment in developing the agroindustrial complex should increase by 19 percent in the 13th 5-Year Plan, and that for the social development of rural areas by a factor of 1.5, coming to 121 billion rubles; this will make it possible to breath new life into many villages, bringing about a reduction in the outflow of population to the cities, and creating stable labor collectives in kolkhozes and sovkhozes.

An analysis of the structure of production assets which has evolved in agriculture shows that it is quite imperfect. For a long time now, the share of assets of arable farming has not been growing, despite practice proving that investments in ameliorating the land and increasing its fertility are the most effective and rational. At the same time, the share of buildings and structures in the overall volume of assets, coming to 64 percent, has been increasing unjustifiably, whereas the active segment of the assets (machinery, implements, transportation vehicles, draft and productive cattle, and perennials) has tended to decrease.

At present, the active segment amounts to 66 billion rubles, or only 20 percent of all production assets of agriculture, and that of draft and productive cattle and perennials amounts to 45 billion rubles, or 14 percent.

Urgent measures are needed in order to improve the structure of assets and influence vigorously the process of its rational formation, because this is exactly the key to increasing the utilization of the entire economic potential of agroindustrial complex. The main point is to clearly set priorities for the most significant avenues of investment policy and ensure their implementation in the process developing plans for the 13th 5-Year Plan.

In order to create a rational structure of assets, it is necessary to channel the largest amount of capital investment primarily into biological resources (draft and productive cattle, perennials) as the most flexible and efficient segment of the assets, as well as into acquiring new technical means, machinery, and computer equipment. We should expand the scale of modernization and technical upgrading of the existing assets, and primarily buildings and structures, restricting ourselves to their reconstruction and expansion on a new technical foundation.

Research by scientific establishments has shown that we could create the following structure of assets with agricultural functions: Buildings and structures should amount to approximately 50 percent of the value of all assets with agricultural functions; machinery, transportation vehicles, and equipment—25 percent; draft and productive cattle, perennials (biological resources)—20 percent, and so forth. The emerging improvement in the structure of assets has made it possible to change the trend of more rapid growth of their passive segment. The rate of increment in the value of machinery and equipment in agriculture has begun to exceed the rate of growth of buildings and structures, and has come to 15 percent compared to 6 percent a year on the average in the 11th 5-Year Plan. The coefficient of renewal and retirement of main operations assets has gone up considerably. The structure of the technical base and the use of machinery have improved, the amount of tractors of obsolete design has decreased, the output of engines has improved, and the pool of agricultural machinery has been augmented. The output per tractor per average shift has reached the norm; the productivity of work of sugar beet, silage, corn, and grain combined harvesters has

improved; the level of training of machine operator cadres has improved; forms of leasing organization of labor are becoming common. Changes are taking shape in the comprehensive mechanization of arable farming and animal husbandry and in the technical facilities for intensive technologies. Comprehensive mechanization has increased to 66 percent at cattle farms, to percent at hog farms, and to 85 percent at poultry farms.

The share of capacity commissioned due to the reconstruction and technical upgrading of existing enterprises has been growing at a high rate. In 1985 it amounted to 12 percent in milk production, 19 percent in animal husbandry, and 32 percent in egg production, whereas in 1987 this share in the overall volume of capacities commissioned amounted to 24, 33, and 63 percent, respectively. This approach is due to the general orientation toward the intensive avenue of development in animal husbandry when the increment in production occurs mainly due to increasing the productivity of the herd. The intensification of production has appreciably reduced the growth of asset-intensiveness of production. In the 10th 5-Year Plan assets increased 6.8 percent per 1 percent of increase in production, whereas in the 11th 5-Year Plan they increased 2.3 percent, and in the 2 years of the 12th 5-Year Plan only 1.3 percent.

However, the production capacity created in animal husbandry is not fully utilized—the funds invested are not giving the necessary returns and the efficiency of production is low. Per 100 rubles of assets, 6.2 rubles of profit were generated in 1985, and 8 rubles in 1987, the profit margin amounting to 12 and 16 percent, respectively. The complete recoupment of investment in the development of assets comes to 12.5 years. The rate of growth of output trails that of growth of the production potential. Compared to 1980, the asset-intensiveness of production grew by 20 percent.

This situation is due to the fact that only 59 percent of the machinery produced ensures comprehensive mechanization in animal husbandry, while 87 percent of them replace obsolete designs and do not make profound changes in the technology or ensure perceptible increases in labor productivity. Thus, the average outlay per cattle stall increased between 1976 and 1985 by 22 percent in structures for cattle, by a factor of 1.5 in structures for hogs, and by a factor of 1.4 in structures for sheep.

The average work span of tractors exceeds the norm, and comes to 9.5 years; 20 percent of the tractors are beyond the end of their service life, and 60 percent have undergone overhauls. At the same time, 14 percent of tractors are retired before the end of standard service life.

Some models of tractors are inferior to foreign analogs in terms of material intensiveness, reliability, and comfort. The optimum pool of tractors and cars has been emerging slowly. Agriculture badly needs particularly row tractors of the MTZ and T-130 types, and cars of the GAZ and ZIL types. Recently, the unsatisfied demand for low-output T-30 and T-40 tractors, the self-propelled

T-16 chassis, and small-size implements has increased abruptly due to the expansion of fruit and vegetable gardening, the development of farmstead plots, leasing collectives, cooperatives, and peasant farms. It is necessary to expand the production of economical small-size tractors, engine units, and motorized cultivators with a set of implements, mowers, equipment for fodder preparation and other machinery to amounts which fully satisfy the needs of these categories of consumers.

There is still a great shortage of the following kinds of equipment: agricultural implements for high-powered tractors, fodder-harvesting equipment, machines for growing crops with the use of intensive technologies, and machines for applying plant protection agents, organic and mineral fertilizer. Only one-half of the system of machines for comprehensive mechanization of agriculture has been assimilated by industry. The technical standard of machines supplied to rural areas is low: 50 percent of them are of obsolete design, and do not meet modern requirements.

All of this brings about tremendous expenditures for overhauls. In 1987, about 10 billion rubles were allocated for overhauls of fixed assets in the agroindustrial complex, or approximately 20 percent of the outlays for their renewal. At present, the scope of overhauls of fixed assets considerably exceeds the economically justified level, which appreciably slows down technical progress in agroindustrial production.

Attempts to solve this problem have been unsuccessful for a long time. There is an acute need fully supply agriculture with modern types of machinery with good technical and economic characteristics as soon as the 13th 5-Year Plan.

Facilities for storing products are a very significant component of agricultural production. Some changes for the better have occurred in this sector. The average annual increment of storage facilities per year increased to 1.6 million tons. However, with an overall need for storage facilities to hold 43.4 million tons of products, storage for 24.9 million tons, or 57.4 percent of the amount needed, is available. Hence the great losses and poorer quality of potatoes, fruit, and vegetables.

In the period of preparing and developing the 13th 5-Year Plan, we should formulate more fully main demands for all component parameters and the structure of technical facilities of agroindustrial production. It is obvious that the machine building and defense complexes will be required to improve the technical standard, quality, reliability, and economics of operation of machinery and equipment in a major way, and reduce their energy-intensiveness and material-intensiveness. Tractor machine building should ensure the emergence of the optimum structure of the machinery pool, a reduction of specific fuel consumption by engines by 20 to 25 percent, and of material-intensiveness by 15 to 20 percent, and an increase in the reliability of tractor operation by a factor of 1.5 to 2.

It is also necessary to provide comfortable conditions for the work of tractor operators and workers, to make this work easier, to equip tractors and self-propelled machinery with air conditioners, air filters, and dust-proof cabins. These are very significant issues, technical as well as economic, the role and significance of which will increase every year.

The task is to improve the technical and economic standard of agricultural machinery, increase its productivity, and reduce the specific material intensiveness and labor intensiveness of technical servicing.

Machine builders manufacturing equipment for animal husbandry and fodder production are facing responsible tasks. In this sphere, it is necessary to ensure a transition to the production of high-quality and economic machinery and equipment, which constitute unified technological complexes, expand their production for upgrading small farms, reduce the expenditure of energy, and increase the productivity of equipment.

Only stringent technical and economic demands on the system of machines and equipment may ensure a qualitative renewal of the technical facilities in the agroindustrial complex, sharply increase the productivity of labor, solve social problems, and increase the production of foodstuffs.

The material and technical facilities of the food industry branches of the agroindustrial complex are a particular cause for concern. The active segment of fixed production assets of the USSR Gosagroprom [State Agroindustrial Committee] amounts to about 20 billion rubles, out of which 19 percent are of a world technical standard, and about 70 percent are in need of modernization or replacement. Mechanized lines account for a mere 8 percent of the equipment in operation. The rate of annual renewal of assets does not exceed 4 percent. The work of industrial employees is only 40 to 60 percent mechanized. Out of the 4 million persons employed in the food industry, about 1.5 million perform manual labor. Hence the result: labor productivity is 2 to 3 times lower than at analogous enterprises in developed foreign countries.

Due to the poor development of the material-technical facilities of machine building for food processing, 60 to 70 percent of needs for the most important kinds of equipment have been met in recent years. The rate of renewal of the active segment of fixed assets in processing industries is 1.5 to 2 times lower than necessary.

Thirty-six percent of the machines and equipment in operation have already served twice their amortization period or longer, with the degree of depreciation between 76 and 100 percent and poor technical and economic parameters. Almost one meat-packing combine in three and one dairy plant in four are backward enterprises located in makeshift premises. Many food industry enterprises have no refrigerators, and water supply and purification facilities are not provided.

Due to the absence of good-quality, modern domestic equipment, the processing industry has for many years been provided with foreign equipment to a considerable degree, more than any other branch. As a result, the share of such equipment comes to almost one-third, and in the baking, macaroni, and confectioneries industries it comes to 43 percent, whereas in the fruit and vegetable sector, oil and fat industry, and tea industry it comes to 50 percent. The share of such equipment in the overall value of the active segment of fixed assets in the agroindustrial complex amounts to 27 percent.

It is necessary that the planning organs determine priority avenues for the development of processing industry branches for the next planning period in order to overcome their lag. The issues of smooth and year-round deliveries of raw materials should be studied in depth; timely and high-quality servicing of obsolete machinery and equipment should be ensured, and full staffing with the cadres of workers and specialists should be provided. The processing branches should be retrofitted with highly efficient machinery, for which it is expedient for the machine building of our country to concentrate its efforts on solving the following tasks:

- substantially increasing the volume of production and improving the technical standard of machines ensuring broad-scale utilization of progressive technologies, considerable reduction in strenuous manual labor, and manifold increases in labor productivity;
- carrying out a transition to deliveries of machines in complete sets, the organization of their production as parts of comprehensive technological complexes, production of compact, small-size machinery for processing agricultural raw materials, and manufacturing final products directly on the farms;
- expanding at an accelerated rate the production of packaging equipment for manufacturing prepared meals, fast-frozen semi-finished products, potato products and fish meals, and small-size piece baked goods;
- accelerating the design and implementation of machines, appliances, and equipment for the storage of agricultural raw materials and food products, using modern warehousing methods on a broad scale.

By 1995, the production of equipment should increase by a factor of 3.4 compared to 1988. Serial production of more than 3,000 pieces of new equipment should be developed and mastered; the nomenclature of equipment should be completely renewed, and 90 percent of all technological equipment produced should be brought up to world standards. The rate of mechanization in the meat, dairy, and fish-processing industries should be increased to 80 percent, in the food industry to 85 percent, and in the canning industry to 90 percent. A complete renewal of the active segment of production fixed assets will enable the release of over 700,000 persons, and an increase in labor productivity by a factor of 1.5 to 2.

In the 13th 5-Year Plan truly revolutionary transformations are in store for the processing industry of the agroindustrial complex; it is to attain a new, higher level. For this purpose, capital investment needs to be increased by a factor of 1.5, and its volume should be brought to 53.8 billion rubles.

The supply of containers and container packing materials for food products in need of packaging is the weakest link in the material and technical facilities of the agroindustrial complex. Increases in the production of packaged and wrapped foodstuffs call for resolving an array of difficult issues associated with expanding the production of container packing materials and manufacturing packaging and wrapping equipment.

It is known that it is more advantageous to package goods at industrial enterprises than organizing at trade establishments. This makes it possible to use highly productive equipment as an assembly line, organize production in a rational manner, reduce the input of labor, improve the use of fixed assets, and reduce perceptibly the loss of goods and use of packaging materials. According to the data of the All-Union Institute for the Economics of Trade and Management Systems, the productivity of labor of employees during the packing of goods in industry is 1.5 to 5 times higher than in trade; losses of products are reduced by a factor of 3 to 8, and the requirements for packaging materials per unit of product by a factor of almost 2.

The shortage of packed goods impedes the development of progressive forms of trade, especially through self-service stores, in which customers spend 30 to 40 less time shopping compared to regular stores, the labor productivity of trade employees increases by 15 to 20 percent, the commercial space is utilized better, product losses are reduced, and progressive technologies for product transportation are implemented.

According to calculations by experts, the economic efficiency of implementing progressive technologies, of transporting using transportation containers, amounts on the average to 6 rubles per ton of product sold, of which amount 60 percent consists of savings in industry, and 40 percent of savings in trade and transportation.

Great material and financial resources have been invested in one of the important avenues of development of agriculture, land reclamation, over the last three 5-year plans. The reclaimed fund of the country amounts to over 35 million hectares, of which 20 million are irrigated lands. However, the technical standard of a considerable part of irrigation systems is low, and they are operated in an unsatisfactory manner. Many farms receive extremely scant yields of agricultural crops on irrigated and drained fields. The new lands commissioned are often not commensurate with the capabilities of the farms to utilize them, and are not supplemented by production and social and service facilities in a timely manner.

Water resources are not used economically. About 20 percent of the water withdrawn from the sources of

irrigation is lost in transit, which comes to about 35 billion cubic meters of water. This amount of water would be sufficient to irrigate 4 million hectares of land, which would make it possible to obtain an additional gross product of arable farming worth 3.4 billion rubles. This is why the main effort should be directed at reconstructing the existing systems, improving radically the reclamation of irrigated and drained lands, increasing the rate of their utilization on the basis of implementing new relations of production, contract and leasing forms of labor organization.

New irrigation systems should be built on the basis of water-efficient technologies and the latest accomplishments of science and technology for protecting the natural environment, with a full set of production and social facilities. It is necessary to envisage measures within the new economic mechanism which which would provide economic incentives for the rational use of water resources due to the introduction of water use fees. According to calculations by experts, carrying out a complex of technical and economic measures aimed at using water for irrigation rationally will enable us to reduce its specific use toward the end of the 13th 5-Year Plan by 20 percent compared to the current level. Work on protecting the soil from erosion, improving unproductive arable land, haying grounds, and pastures, and the conduct of land amelioration work directly aimed at increasing the fertility of agricultural land should be increased at accelerated rates. The share of such work in the overall volume of land reclamation should be increased to between 60 and 70 percent.

Mineral fertilizer and plant protection agents play the most active role in increasing the efficiency of agroindustrial production. However, they are not applied with sufficient efficiency at present, mostly due to the non-comprehensive conduct of such work. Little organic fertilizer is applied; not all of the acid soils are treated with lime; the existing machinery and equipment do not ensure a high-quality application of chemical agents. The lack of the necessary storage facilities and of highly efficient plant protection agents bring about a reduction in their overall efficiency (it comes to approximately 75 percent of standard). With a view to increasing such efficiency, it is necessary to complete the introduction of zonal land cultivation systems and soil-protection and moisture-preservation technologies in the 13th 5-Year Plan, provide a non-deficit balance of nutrients in the soil, create technical facilities for preparing and applying organic fertilizer on an industrial basis, and master integrated systems of plant protection from pests, diseases, and weeds based on a rational combination of chemical and biological methods. This will enable us to increase the overall effect of applying chemization agents by a factor of 1.3 to 1.5.

The expansion of agricultural production calls for increasing amounts of energy resources. A stable trend toward increasing the volume of energy consumption has been registered, which has been accompanied by increases in the energy intensiveness and electricity

intensiveness of production. Previously, the technical policy was aimed at developing and introducing new technologies and means of mechanization with little concern for the need to reduce energy consumption.

As a result, the energy intensiveness of agricultural gross product has been growing continuously. On the average, a 1-percent increment in production called for a 3-percent increase in the consumption of fuel and energy resources, and a 10-percent increase in electricity consumption.

Measures aimed at saving energy resources which are being carried out in this 5-year plan have made it possible to reduce the increment in their consumption considerably, though it is still quite high. It is obvious that in the future the expansion of the volume of production, broad-scale introduction of intensive technologies, completion of comprehensive mechanization in arable farming and animal husbandry, and stepped-up work on restoring the fertility of soil and environmental protection will call for increasing the consumption of all types of energy.

It should be noted that the level of energy allocated to labor in agriculture is one-third lower than in industry, whereas in the developed capitalist countries this indicator is higher than in industry: in the United States by a factor of 2.3, in the FRG by a factor of 2.1, and in Sweden by a factor of 1.6. The energy allocated per agricultural employee in the USSR is 4 times lower than in the United States.

Developing measures aimed at saving fuel and energy resources, selecting economical types of energy carriers, and increasing the efficiency of their utilization is an urgent task. Proceeding from the need to stringently save energy in the long run, we should bring about the stabilization of the energy intensiveness of gross product in the agroindustrial complex and, in the long run, its reduction. To this end, the following will be required: a significant change in the structure of utilization of energy resources, optimization of their use, development of rational energy supply patterns, and implementation of an array of measures aimed at saving them. As calculations show, it is necessary to reduce the share of motor fuel, and bring its use to about 30 percent, boost the share of natural gas to 15 percent, and of electricity to between 25 and 30 percent of the overall use of all energy resources. It is intended to expand the implementation of energy-efficient production technologies, machines, and equipment, increase the share of cargo transportation by trucks equipped with diesel engines, switch the engines from liquid to gaseous fuel, and implement out measures aimed at reducing the consumption of all kinds of energy resources. Much attention should be paid to expanding the utilization of unconventional energy sources: the heat of geothermal waters, biogas made from agricultural wastes, wind and solar energy, energy of small rivers, heat pumps, as well as the waste heat of gas compressor stations, thermal and nuclear power plants. In the future, the accumulated experience of using

unconventional energy sources and the technical and production potential of our machine building in creating corresponding equipment may promote the expansion of their use.

Resource conservation is becoming one of the fundamental factors of further development and increased efficiency in the agroindustrial complex. The analysis and study of the issues of resource conservation thus far have not been made comprehensive. In the period between 1980 and 1987, a trend toward greater capital, energy, and electricity-intensiveness of gross product (commercial) of the agroindustrial complex was registered. Due to the low actual level of capital endowment (70 percent of the norm), high rate of manual labor (70 percent of the overall labor input), and the extremely insufficient level of electricity allocation to agricultural labor, this increase in resource inputs into production is justified to a degree.

Positive trends with regard to some indicators have emerged in agriculture in recent years. In 1981 through 1985, the value of fixed production assets increased by 3.1 percent per 1 percent of increase in gross product, whereas in 1986 and 1987 it increased by 1.8 percent. Per 100 rubles of fixed production assets with agricultural functions, 9 rubles of profit was received. At the existing level of profitability of 24.4 percent, these assets will be fully recouped in 11 years. The labor intensiveness of products in 1987 fell by 19.4 percent compared to 1980, fuel intensiveness fell by 8.9 percent, and the use of fodder per 1 ruble of animal husbandry production declined by 8.1 percent.

It is also significant that the effect of resource conservation in 1987 compared to 1985 was greater than in the preceding period. Thus, in the period between 1980 and 1985 the average annual reduction in the labor intensiveness of production amounted to 1.9 percent, in fuel intensiveness 0.7 percent, and capital intensiveness 1.3, whereas in 1987 these values were, respectively, 5.4 percent, 2.9 percent, and 0.6 percent in comparison with 1985. However, given the situation in which resource conservation becomes the main source of supporting increments in production, this rate of reducing their consumption is insufficient.

Compared to 1987, the task for 1995 is to reduce the material intensiveness of gross agricultural product by 5 to 10 percent, labor intensiveness by 25 to 30 percent, and fuel intensiveness of gross (commercial) product of the agroindustrial complex by 20 to 25 percent. It is envisaged to reduce the capital intensiveness of production by 14 to 15 percent. The use of fodder per unit of animal husbandry production is expected to be reduced by 13 to 15 percent, and the use of mineral fertilizer per 1 ton of products of arable farming by 20 percent.

It is envisaged to carry out more rational and efficient utilization of material resources mainly through introducing a set of measures aimed at implementing

resource-efficient technologies, comprehensive mechanization and automation of production, priority allocation of capital investment to solving the problem of preservation of products, profound reconstruction of processing enterprises, construction of roads, stable development of arable farming, and rational utilization of fodder and fertilizer. Obviously, a transition of farms to complete economic accountability will facilitate their economic interest in resource conservation.

In the current environment for conducting economic operations, the problem of resource conservation should be the focus of attention of all production collectives, all management organs of the agroindustrial complex. This is why it would be expedient to introduce in plan calculations indicators describing the status of resource conservation. These can be indicators of material, asset, capital, labor, energy, electricity, and fuel intensiveness of the gross (commercial) product or net product, as well as fodder intensiveness (use of fodder per unit of animal husbandry production) and use of mineral fertilizer per 1 ton of products of arable farming (converted to grain units).

An economic mechanism for stimulating resource conservation for farms, enterprises, and organizations of the agroindustrial complex is required, one that would provide that the profit obtained as a result of reducing the use of resources and raw materials compared to the previous period would not be subject to fees paid to the budget, but would be allocated for stimulating resource conservation.

The formation of an optimal structure of the material and technical facilities of the agroindustrial complex is a complicated and multifaceted process, which depends both on subjective decisions and on an array of objective economic opportunities.

Unfortunately, thus far a scientifically grounded concept of forming the material and technical facilities of the agroindustrial complex, linked to the development of national economy and taking into account all changes in the agroindustrial production and the economy of the country, has not been worked out yet. First, the composition and structure of the production potential of the agroindustrial complex of our country should be attuned to the new tasks of radically improving the supply of foodstuffs to the populace, restoring a healthy financial condition, and improving the foreign trade balance of the country.

Second, the material and technical base of the agroindustrial complex should be brought into compliance with major structural shifts occurring within it, especially recently (the development of interfarm and intra-farm links, creation in rural areas of various forms of cooperation and agroindustrial integration, family farms, brigades, teams, intensive labor collectives operating on the principle of lease contracts, agroindustrial combines, agrocompanies and other production entities). This calls for extraordinary approaches and unconventional solutions.

Third, the formation of material and technical facilities of the agroindustrial complex should proceed on the basis of a rational combination of large, medium-size, and small production units. In the process, it is necessary for the level of mechanization of medium-size and small-scale production to be the same as in large production units, and to ensure the high quality of output. We should also take into account the reduction in raw material supply zones of service due to the creation of small processing enterprises in kolkhozes and sovkhozes.

Fourth, a gradual transition from a capital-intensive mode of development of the material and technical facilities of the agroindustrial complex to a cost-efficient, asset-efficient, resource-efficient, and research-intensive mode of development, and the expansion of primarily biological potential (highly productive cattle, perennials, and high-yield seeds) should be the fundamental principle of their creation. Resources and funds will be primarily invested in increasing the fertility of land.

Fifth, it is necessary to take into account more completely the regional aspect of the development of the material and technical facilities as well, and ensure the creation of machinery, mechanisms, technologies, means of chemization, installations, and capacities corresponding to the needs of every major agricultural region. In the process, the social and creative activity of rural toilers needs to be encouraged, not only through economic devices and methods but through creating modern technologies and systems of machines which make the work of people attractive.

The public is demanding with increasing persistence that an ecological balance in nature be attained, that pollution of the environment be prevented, and ecological safety for the health of people, plants, and animals be created. These requirements should be taken into account more fully in forming the material and technical facilities of the agroindustrial complex.

Following the transition to complete economic accountability, the composition and structure of the material and technical facilities will be determined by the enterprises themselves. They are to decide what and when to build, which machinery and resources to purchase from whom. This approach will enable us to avoid many mistakes and distortions in creating the production potential of the agroindustrial complex. A transition to wholesale trade in machinery, equipment, and other means of production will also facilitate this.

The experience of the economically developed countries of the world indicates that the transition of agricultural production to an industrial basis is characterized, on the one hand, by a decrease in the labor intensiveness of production (growth of productivity of human labor), and, on the other hand, by an increase in its capital, asset, and material intensiveness. In the process, the rate of growth of resource consumption exceeds that of production until the period of their optimum saturation.

This trend will be maintained until comprehensive mechanization spreads to all main branches of production. This process is accompanied by the introduction of more advanced methods of organizing labor and management, progressive technologies, achievements of biological science, and, naturally, boosts the efficiency of production and brings about a reduction of the gap between the rates of growth of resource consumption and the volume of production.

This trend is most apparent in poultry breeding, a branch which embarked on the path of industrial development before others. The productivity of capital in this branch declined for 15 years, and stabilized as late as 1984 through 1986, when the level of comprehensive mechanization approached 90 percent, and the capital endowment of labor per employee attained more than 30,000 rubles.

Despite the high rates of growth of fixed production assets in agriculture, the process of industrialization in this sector is far from over. The energy allocation per 100 hectares of sown area and the energy allocation of labor in our country are 1.6 to 3 times lower than, for example, in Czechoslovakia and the United States. Comprehensive mechanization has not been introduced in any branch of arable farming; in animal husbandry it amounts to between 60 and 70 percent. Many agricultural employees are engaged in manual labor. The level and stability of agricultural production still depend greatly on weather conditions.

Kolkhozes and sovkhozes, the main producers of output, have an extremely insufficient supply of facilities of production and non-production infrastructure: housing, hospitals, schools, communal services, warehouses for products and fertilizer (the level of availability is 20 to 50 percent), fodder preparation shops, repair facilities. In the period to come, it is necessary to augment kolkhozes and sovkhozes with the lacking infrastructural facilities, carry out the reconstruction of existing enterprises and production units on a new technical basis, and ensure subsequent development of the production base of this branch in order to achieve the planned volumes of agricultural production.

In animal husbandry, comprehensive mechanization of the production of all output should be ensured, and in arable farming the use of intensive technologies should be guaranteed.

An analysis of groups of sovkhozes in our country in terms of the availability of assets has revealed linkage between capital endowment, labor productivity, and the level of profitability. Thus, farms with capital endowment exceeding the average by a factor of 2 turn out 1.5 times more products, and have a 20-percent higher level of profitability. The additional provision of fixed assets to the farms should increase vigorously.

One way in which to obtain a fundamental increase in the efficiency of agricultural production is to accelerate the introduction of computer technology and automated

systems for common use in the management of technological and production processes and to set up automated work stations in production and in the management sphere.

The USSR Council of Ministers resolution "On Improving the Supply of Foodstuffs to the Population of Our Country on the Basis of a Pronounced Increase in the Efficiency and Further Development of Agroindustrial Production" adopted by the March (1989) Plenum of the CPSU Central Committee outlined specific measures for the further development of the material and technical facilities of the agroindustrial complex. In the 13th 5-Year Plan, the overall volume of capital investment from all sources of financing will come to 345 billion rubles, which is 55 billion rubles more than that planned for the current 5-year plan. By 1995, deliveries of mineral fertilizer to rural areas will increase to 36.8 million tons, the volume of machinery production (in monetary terms) to 75 billion rubles, or by 24 percent, and production of equipment for the processing branches of industry by a factor of 2.3 to 2.5.

Along with changes in investment policy, the resources allocated for the development of the agroindustrial complex will make it possible to form its optimal structure, eliminate disproportions in the development of branches, and thereby reduce losses of products and ensure the greatest possible yield of final product per unit of raw materials and resources.

With a view to implementing the decisions of the March (1989) CPSU Central Committee Plenum, it is necessary to envisage radical measures for creating a qualitatively new industry of foodstuffs production in the plans of development of the agroindustrial complex in the 13th 5-Year Plan.

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#### APK Economics in 13th Five-Year Plan

18240196 Moscow SELSKAYA ZHIZN in Russian  
20 Jun 89 p 2

[Interview with N.T. Borchenko, chief, Division for Development of the Material and Technical Complex, USSR Gosplan, and candidate of economic sciences. "How Should Money Be Spent?" by S. Chudakov, special correspondent]

[Text] We are inaugurating a new rubric with the following interview by SELSKAYA ZHIZN's special correspondent with N.T. Borchenko, chief, Division for Development of the Material and Technical Complex, USSR Gosplan, and candidate of economic sciences. We propose that readers state their own viewpoints on the progress being made by perestroyka in planning, as well as the efficiency of utilizing fixed capital and the capital investments being allotted for developing the country's APK [agroindustrial complex] during the 13th Five-Year Plan.

[S. Chudakov] Nikolay Timofeyevich, it is now planned to channel 345 billion rubles into further development of this country's APK during the upcoming five-year plan. That is more than half of the present-day value of all the fixed capital in the country's APK. In connection with this, the following two viewpoints are being stated: some persons consider that too many resources are being redistributed to benefit the rural area, and they refer to lands filled in by reclamation specialists, rotten, decayed walls in vegetable storage facilities, investments in the empty walls of structures, and billions of rubles squandered on places without roads. But others are confident that the country should be more bountiful in its disbursements in order to achieve the goals assigned to the rural area. Who is right?

[N.T. Borchenko] Both viewpoints are right—each in their own way. But it was only at the Congress of USSR People's Deputies that the agrarians, for the first time, obtained the opportunity to state their own point of view in their Appeal to the Congress. This had to be done. Far from everybody yet knows that up to 80 percent of capital investments in agriculture consist of the farms' own funds, and that kolkhozes, in general, build only by using their own funds and credits. Nowadays the peasant not only feeds the country, but also arranges and operates his own farm himself.

We also need to take into account the fact that every year as many as half a million persons continue to leave the rural area and go to the city. And, after all, each one of them used to feed 12 persons in addition to himself. In order to make up for this loss of labor resources, it is necessary to make an annual investment of an additional 7.5 billion rubles into the APK.

The assertion that the rural area is emptying the state treasury just as before is far from the truth. Money was at first taken from agriculture, and then a portion of it was returned. But, after all, it is impossible to obtain without investing.

[S. Chudakov] And so it turns out that if we want to obtain more products from the rural area, then we must also increase our contribution to developing the APK, right?

[N.T. Borchenko] Entirely correct. But it's important to spend these funds wisely, in a businesslike manner. Where should we direct them in the first place? There's only one answer: there where we can obtain the most rapid return on investment. You must agree that in former time this was not always done wisely or rationally. Moreover, at times fruitful ideas were carried to absurd extremes. It may be seen from the speeches made by the deputies to the Congress that often there was insufficient preparation of the appropriate conditions for introducing innovations.

Let's take the idea of building livestock-raising complexes. Nowadays in the Belorussian SSR, for example, people would not think of moving forward without developing livestock raising on an industrial basis. They

have achieved success there because they created the conditions for developing such large, specialized farms: they have prepared a fodder base, the breed of young animals, personnel staffs; and they have strengthened the mixed-feed industry. While doing this, moreover, they have not prematurely shunted aside or displaced the small livestock-raising farms. Without such an approach, other republics, though they invested millions of rubles in these complexes, have merely increased the losses. The situation was exacerbated by the inflation of the capital expenditures due to the increasing prices of construction materials, planning and prospecting operations, equipment, machinery, and other resources.

[S. Chudakov] But what, in general, is the availability of funds for agriculture in our country, as compared with the developed capitalist countries?

[N.T. Borchenko] There are, of course, norms. The more the production output, the greater the availability of funds there should be. For our country's APK, as a whole, as compared with the need, it comes to 70 percent. The energy-labor ratio in our agriculture is lower by one-third than it is in industry. In the United States this index is higher in agriculture than it is in industry by a factor of 2.3. In my opinion, therefore, it is pointless for economists to discuss the topic of where the capital-labor ratio and the energy-labor ratio should be higher. The entire world experience has provided the following, precise answer: in agriculture.

[S. Chudakov] Does what you have said above mean that, if the country's agricultural production attains the availability of funds shown by the foreign benchmarks, that the acuteness of the food problem will be eliminated?

[N.T. Borchenko] We must take into account those conditions under which the agriculture of the country as a whole and the republics in particular is developing nowadays. We need colossal assets in order to achieve such an availability of funds. We do not have such assets. But we could increase production output by means of eliminating imbalances in the fund structure. This could yield an increase in output by 10-15 percent, i.e., by 20-30 billion rubles. Moreover, only a comprehensive assimilation of these assets will ensure a high return on investment.

Why is the level of our poultry raising, for example, close to the world level? Here a very correct strategy was selected from the very outset. We assembled everything that was best in the world with regard to poultry-raising, plus our own very high level of cage-type maintenance (we were the first discoverers of this method). Good personnel staffs were trained, along with a mixed-feed industry, i.e., comprehensive fixed capital was provided. And the sector earned money efficiently. Even here, however, they did not avoid mistakes: it was not necessary to make the provision of all poultry facilities and feed-concentrate complexes dependent upon state resources. Then we would not have had to make such large purchases from abroad.

[S. Chudakov] The new documents which define the role to be played by USSR Gosplan in restructuring the APK create the impression that it will immediately become the central force which will manage the agroindustrial complex, but already with the aid of economic methods. Is that the case?

[N.I. Borchenko] I am also asked the following in the localities: "Well, they say, won't Gosplan now, under the new conditions of economic management, take the reins of governing the complex into its own hands?" This would contradict the principal positions of the Congress of USSR People's Deputies aimed at democratizing economic life and at the self-provision of the country's regions. The center of governing agroindustrial production is shifting to the republics and the oblasts. Gosplan determines the main directions, whereas how much will be built and produced and what procedures will be used will be decided by the republic, the oblast, and, in the first place, by the farms themselves.

[S. Chudakov] Thus, having their own budget at their disposal, the republics will obtain more opportunities to independently channel capital investments into whatever they deem necessary.

[N.I. Borchenko] Certainly: because, of course, in the localities they know best where additional resources are needed most of all. Whereas centralized capital investments are concentrated along narrow lines, the most important lines, those of inter-republic and Union importance. They will be needed, let's say, in carrying out regional programs. And so the sphere of centralized capital investments is being narrowed down sharply. In my estimation, it will comprise 20-25 percent of the total volume of capital investments.

[S. Chudakov] But at present the problem lies not so much in the lack of their own funds as it does in the lack of material resources.

[N.I. Borchenko] The new regional policy, keyed on cost accounting, self-support, and self-financing, will channel the oblasts and farms into seeking out and developing their own construction industry, so that the funds earned will be "put to work" [invested in the business]. An active viewpoint in these matters has been taken by Belorussia, the Ukraine, and several other republics. That is, completely new approaches are already being outlined to all investment policy, the center of which is shifting to where the most thoroughly thought-out solution can be adopted.

[S. Chudakov] But, after all, you still have in your hands such an instrument as the state order. The responsibility for developing it and monitoring its performance is still borne by the USSR Gosplan. Won't this become a brake on independence?

[N.I. Borchenko] The state order comprises only a small portion of the production volume. For example, the All-Union meat fund amounts to 2.5 million out of 19.3 million tons of its production. That is, approximately,

one-seventh (taking into account the republic-level order, it would be somewhat higher). And, beginning with the 13th Five-Year Plan, state orders will not be imposed on kolkhozes and sovkhozes at all. Consequently, farms are becoming fully independent in determining the development of their own production. To be sure, the state order is still an incentive. With it, we can guarantee that material and technical resources will be received. I think that even after a period of time has passed, the present bosses will still be fighting for it. And, meanwhile, if we wish to include an economic rather than an order-type lever, there is no other way.

And so Gosplan bears the responsibility for working out the strategic directions and balanced development of the APK.

[S. Chudakov] Just how, then, do you propose that the funds allocated for the 13th Five-Year Plan be spent?

[N.I. Borchenko] In working out a concept, we keyed on the recommendations of the March (1989) Plenum of the CPSU Central Committee. The correctness of the outlined approaches was confirmed at the Congress of People's Deputies, which placed the benefit of human beings at the foundation of all the changes. Therefore, the first and foremost line is the social trend of capital investments in the APK. If their growth amounts to 19 percent for the APK as a whole, it is 1.5 times more than that for the development of the social sphere. The goal is to balance the ratio between the production and non-production funds, and to set matters straight in the rural area.

[S. Chudakov] What should it be in order to guarantee a high return on investment?

[N.I. Borchenko] For every two rubles of production funds, there should be one ruble of non-production funds. Of course, in proceeding from the specific conditions of a given republic or oblast, this ratio could change. And, in fact, the proportion at the present time is one to four [1:4]. The capital-labor ration for a rural worker amounts to 14.70 rubles, whereas his capital-social ratio—for housing, kindergartens, etc. is only 4.400. That's what the lag is. Therefore, we must, first of all, change this ratio in order to include existing manpower in this work. And during the last two years there has been a noticeable shift as follows: the social sphere has begun to outstrip the development of the production sphere. Priority has been accorded to housing construction.

[S. Chudakov] And what kinds of structural changes should occur within the production funds?

[N.I. Borchenko] In our country, just as before, there is a growth within these funds of buildings and other structures, i.e., the passive part. Without a balance with the active part—the machines, equipment, work animals, and productive livestock, as well as perennial plantings—it is very inefficient. Therefore, during the 13th

Five-Year Plan it is planned to slow down the construction of buildings and other structures but to speed up the development of the active part. To what limits? Science tells us that buildings and other structures should be approximately 50 percent of the production funds, 20 percent consists of machines and equipment, and a certain percentage goes for biological resources—livestock, and perennial plantings. This is on an average. Therefore, we are keying, above all, on the formation of the active portion of the funds, on that portion which would yield the quickest return on investment. We have great hopes for the new economic relations and forms of economic management in the rural area. Considerable capital investments have been provided for improving lands

[S. Chudakov] But, you know, land reclamation has already brought considerable losses. The billions of rubles assigned to this work [reclamation] have not provided the anticipated effect and have even brought a certain amount of damage to nature here and there.

[N.I. Borchenko] As a result of the changes in the structure of the fixed capital, allotments to reclamation are being reduced. Expenditures are being curtailed here not because someone had doubts about the necessity for restoring the health of land resources by reclamation.

In the first place, this country's water resources are seriously depleted. You know about the Aral Sea; there are also very limited water resources in the North Caucasus, in the country's Chernozem region, the southern part of the Ukraine, and in the Volga region. Therefore, we must conserve water in irrigation. We must reduce the consumption of water resources by a minimum of 15-20 percent during the next 15-20 years, as calculated per hectare of reclaimed lands.

And the second reason is a reorientation in land reclamation itself: a concentration of means on cultivation-engineering projects, on anti-erosion and other measures of small-scale and dry-type reclamation, as well as intensifying its comprehensiveness, and a modernization of the existing irrigation network.

An important item of expenditures is strengthening the production base of the storage and processing of agricultural products. Good changes are already taking place here. The country is witnessing the mastery of constructing storage facilities made of completely prefabricated, lightweight structural components. Already last year capacities were introduced amounting to 1.7 million tons of storage. As to processing, the following must be said: although we are purchasing a large amount of equipment abroad, this will not rescue us. We must create Soviet-made machines. But the special decrees which have been adopted on this score are being carried out poorly.

[S. Chudakov] Can we speak today about the results of improving the quality of planning? Or is it still too early?

[N.I. Borchenko] We have developed a system of indicators which characterizes the utilization funds and capital investments. During the last two years in agriculture and livestock-raising the recovery of capital investments increased sharply and no longer exceeds 11-12 years. The norm for return on capital investments in agriculture in this country's agriculture amounts to 14 years. On the one hand, the capital investments themselves are decreasing. On the other hand, the production and non-production funds—active and passive—are better balanced than previously. The effectiveness of capital investments has quietly begun to increase in the country's APK. However, we are still far from attaining the desired result.

The return on investment is decreasing, as is also the introduction of fixed capital per ruble of capital investments, whereas unfinished construction is increasing. "Long-term construction" is particularly active in Uzbekistan, Georgia, Azerbaijan, and the USSR Ministry of Land Reclamation and Water Resources.

[S. Chudakov] Thank you for granting this interview. I'm confident that you do not claim to be the last word on this matter. Let's propose that our readers state their own points of view on the actual progress being made by perestroika in planning the upcoming expenditures.

[N.I. Borchenko] Such a discussion could only benefit the cause.

## REGIONAL DEVELOPMENT

### Republic Gosagroprom Chief on Draft Law on Peasant Farms in Latvia

18240178 Riga SOVETSKAYA LATVIYA in Russian  
11 May 89 p 2

[Report by V.F. Rymashevskiy, chairman of the republic Gosagroprom [State agroindustrial Committee: On the Latvian SSR "]]

[Text] Comrade deputies! The Draft Law "On Peasant Farms in the Latvian SSR" presented for your review once again confirms the dynamism of the revolutionary transformations of social and economic relations which are occurring in the republic.

The first steps in the establishment of peasant farms were made in August of last year and already in October a republic government resolution was adopted on this issue at the suggestion of farm workers.

With the spread of this movement, the need to legitimize the status of peasant farming and to determine its place in our economic system, the rights and obligations of the peasant, and also the legal guarantees of its activity can no longer be put off.

After publication of the draft law in the press, we received 150 letters with specific suggestions for more precisely defining individual articles and including new

legal norms in it. Many of these suggestions have found reflection in the proposed draft law.

In my speech, I want to direct your attention to issues, which in comparison with existing legislation are resolved non-traditionally, taking farming practice in the republic into account and also to those which have caused the most discussion of all while the draft was being discussed. I must point out that while developing the draft, we took into consideration the suggestions and observations expressed by the future peasants.

In the draft law directed at transforming production relations in the village, the fundamentally important conclusion is that peasant farms are economically independent producers of agricultural products and have equal rights with kolkhozes and sovkhozes. The state guarantees the protection of the legal interests of peasant farms. Interference in the production activities of peasant farms by state, cooperative, and other organizations is forbidden.

The draft law stipulates that peasant farming will be organized on a strictly voluntarily basis. Any citizen of the Latvian SSR can establish one after having submitted a plot of land allocation statement to the ispolkom [executive committee] of the rayon soviet of peoples deputies (at the location of the plot of land).

The draft law published in the press stipulated that a 20-hectare plot of land would be the minimum size for establishing peasant farming. This limitation caused a unanimous protest from peasants and the majority of agricultural scientists and experts. I think this opinion is well-founded since, taking the possibilities of peasant farm specialization and other factors into consideration, this condition will become a restraining factor in the establishment of new peasant farms. Therefore, article three of the proposed law stipulates that the rayon soviet of peoples deputies ispolkom will determine the size of the plot of land in each case taking into account the size of the peasant family, local conditions, and the possibilities for rational land use.

We think it is timely to give priority for acquiring land to citizens having the necessary agricultural training or work experience in agriculture since land must be allocated first of all to those who can work it properly. Gosagroprom [State Agroindustrial] agricultural institutions are now conducting necessary training and the Latvian Agricultural Academy also has specific proposals for resolving this issue.

Time periods for land use are an important issue. Taking the peasants' desires and land legislation requirements into account, it has been established that land and other natural resources, being the exclusive property of the state, are provided to the peasant on a permanent use basis (for life) with transfer of the peasant's land use right to the peasant's heirs. I consider the proposal on transfer of land to a peasant as private property to be premature.

We have widely discussed the issue of exactly when and after completion of which documents peasant farming should be considered established with all the legal consequences flowing therefrom. It has been suggested that peasant farming be considered established from the moment the rayispolkom [rayon executive committee] has made the decision to allocate a plot of land to the peasant so that a peasant can promptly begin farming on his own plot of land. The fact that state formal documents on land use rights are being passed quite late is the main argument on this issue. Thus, for example, as of 1 May 1989, ispolkoms decided to allocate plots of land to more than 537 farms in the same time period that only 20 peasants obtained state formal documents. Abandoning the previous version of the draft law, the establishment of peasant status and the beginning of practical development of the land is being groundlessly delayed.

Protection of the peasant's right to use and possess land has been substantially strengthened.

It has been stipulated that a peasant's right to land use is partially or completely terminated in cases of: voluntary refusal from using a plot of land; non-use of a plot of land without a valid reason during the agricultural year; systematic use of a plot of land for other than its intended purpose; and, perpetration of criminally punishable activities on the land by a peasant which violate the right of state ownership.

There were especially many objections on the issue of confiscation of a plot of land for state or social needs. Therefore, the draft law stipulates that when an exclusive need arises to confiscate a plot of land, the appropriate ispolkom of the rayon soviet of peoples deputies is obliged to ensure the peasant is given a plot of land of equal value in another location. Confiscation of a plot of land is allowed only after compensation of the enterprise or organization which was allocated the plot of land, the peasant's losses (including lost income), and construction of living and production facilities of equal value in exchange for that which was confiscated.

During development of the draft law, various opinions were expressed on the issue of the legal status of peasant property. In the previous draft legislation which stipulates the property of the owner of an individual peasant holding, a number of limitations affecting property were established. These limitations were removed from the current draft legislation. The law stipulates buildings and structures, without any limitations on area, to be the peasant's personal property as well as agricultural equipment, transport assets, cattle, products produced and other belongings necessary for conducting peasant farming.

Property relations have been completely changed in peasant farming. Earlier property relations in individual peasant holding were determined in compliance with the Latvian SSR Civil Code which regulated relations between members of a collective farmstead.

Changing the regulation of property in peasant farming is complicated by the fact that it is not subsidiary farming but independent production of agricultural products in accordance with rights and obligations. In connection with this, the rights of inheritance of peasant property have also been substantially altered. If inheritance of a collective farmstead is opened only in the case of the death of the last member of the collective farmstead, then after his death the peasant's property is inherited by individuals who are heirs according to the law or are named in a will in the manner established by Latvian SSR Civil Law. Likewise, the heir of the peasant's property is released from payment of a state duty established for issuing evidence of the right of inheritance, under condition of reforming the state document on the right of land use in the heir's name.

Article eight of the draft law stipulates important guarantees of social security and social insurance and it establishes that:

- A peasant and all the members of his family working on the farm are subject to state social insurance from 15 years of age and they have the right to benefits through social insurance and provision of pensions;
- The peasant has been given the right to independently determine the size of his anticipated income from which the size of social insurance and pension benefits is calculated;
- Depending on the size of the anticipated income, the peasant pays appropriate contributions for social insurance for himself, the members of his family, and for contract laborers to the rayon trade union committee.

The Latvian SSR Council of Ministers and the Republic Trade Union Council establishes the social insurance contribution rate and also the payment system.

Work time is counted both in general and in permanent work periods on the basis of documents confirming payment of social insurance contributions.

This article stipulates that during intense periods of agricultural work, the peasant is authorized to hire other citizens and conclude a labor contract with them in written form which is subject to registration in the rayon trade union commission if peasant farming is the main work location for these people. After thorough discussion of the words "during intense periods of agricultural work," it is recognized that it would be more correct to replace them with the words "in case of production necessity." This more closely corresponds to the peasant's interests and to possible situations of his activities. For example, difficulties are arising in peasant farming not only due to intensive periods of work, but also in connection with illness of able-bodied family members, conscription into the army, etc.

Remuneration of individuals, hired by the peasant for work on the peasant farm, is conducted by agreement of the parties.

There were objections to enlisting the services of a wage-scale work force to work on a peasant farm. However, I think that these provisions of the draft law must be retained since even in major agricultural production, in kolkhozes and sovkhozes, we cannot always get by without helpers. Besides, we are well aware of the current technological support to peasant farming. Only production and economic conditions can determine in each specific case how many people may be hired as wage labor and determine the duration of use of this work force.

And there is still one more vital observation. In spite of the fact that Article 17 of the Constitution of the Latvian SSR established that individual labor activities in the area of cottage handicraft industries, agriculture, and social services of the population, and also in other types of activities based on the personal labor of citizens and members of their families, exclusions are stipulated in subsequent standard formal documents. Thus, for example, on 28 April 1987, the USSR State Committee on Labor and Social issues and the All-Union Central Council of Trade Unions approved a provision on working conditions of individuals who are working for citizens in accordance with labor contracts. It stipulates that domestic workers are used for completing citizens' housework, for rendering technical assistance in creative work or in performing various other services. The question of why peasant farms must be in a worse situation arises in connection with this. Besides, having forbidden the use of hired labor at peasant farms, we will only create turmoil not needed by anyone since even one or two peasant farms (not less than three people) have the right to unite into a cooperative, register it in accordance with the USSR Law "On Cooperatives in the USSR," and hire other citizens.

Regarding sale of products produced at peasant farms, the principle is affirmed that only the peasant has the right to freely dispose of it as he sees fit. When selling output to the state in accordance with a contract for fulfilling a the state order, payment is made according to state purchase prices on equal terms with kolkhozes and sovkhozes.

Article 11 of the draft law sets forth the basic principles for extending credit and financing peasant farming activity. Issues connected with bank credit percentage rates are currently within the purview of the USSR State Bank and are not reflected in the draft law. Peasants are given the opportunity to conclude contracts on extension of credit with state or cooperative organizations. Furthermore, the rayispolkom [rayon executive committee] has the right to render free material aid or extend non-interest bearing loans to peasants for carrying out priority expenditures for establishing farms.

The system for extending loans and the conditions for repayment of loans have been developed and we stipulate paying them off at the end of a five year period with the condition that the peasant is rationally using the land and is managing it effectively. The regulations stipulate that such loans may be offered to any citizen of the Latvian SSR who has been allocated land and who has concluded a contract on sale of agricultural products for fulfilling a state order. In March, the republic's government allocated three million rubles for this purpose. A survey of peasant farms is being conducted right now to determine the size of recommended loans. I also think that releasing peasant farms from payment of agricultural taxes for the first three years, as stipulated by the draft law, is economically sound and must be included in the law.

Conditions for the material and technical supply of peasant farms have been formulated in the draft law but their practical realization is still being refined today in republic Council of Ministers resolutions.

At the request of the new farmers, Article 15 has been substantially broadened and stipulates for reclamation of land allotted to peasants and construction of roads to it, and furthermore stringing of electrical and communications lines at state expense by state specialized and other organizations. Work conducted is paid in accordance with established standards for it. Peasants are released from payment of amortized payments to enter facilities into operation. This article also contains additional information that peasants may lease a plot of land from another land user for a time upon their mutual agreement which makes these peasants' land use rights equal to those of the remaining land users.

Comrade deputies!

Besides issues on farm formation and activities which are defined in the draft law, problems exist which can be resolved only through the use of all-union laws and other standard acts. We have already frequently provided our conclusions on variants of the USSR Draft Law "On Leasing and Leasing Terms in the USSR" and our separate theses are included in the Decree of the USSR Supreme Soviet Presidium with the same title. Therefore, we think that the participation of republic agricultural and legal experts would be necessary to develop this draft. And moreover because the practice of forming peasant farms exists not in theory but in real life.

And in conclusion, I would like to request, in the name of the peasants, that the Presidium of the USSR Supreme Soviet introduce changes in the USSR Law "On Universal Compulsory Service in the USSR" where it determines that a summons to harvest can only be conducted in the winter months and, having resolved the issue on material compensation for time spent at harvest and thus confer the same status on the peasant and worker, employees and kolkhozniks [collective farm workers] and maintain an average wage for them throughout the harvest period.

## New Law On Peasant Farms In Latvian SSR

### Text Of Law Furnished

18240195 Riga SOVETSKAYA LATVIYA in Russian  
12 May 89 p 2

[Article by A. Gorbunov, chairman of the Presidium of the Supreme Soviet of the Latvian SSR and V. Klibik, secretary to the Presidium of the Supreme Soviet of the Latvian SSR, Riga, 6 May 1989: "Law of the Latvian Soviet Socialist Republic On Peasant Farms In the Latvian Soviet Socialist Republic"]

[Text] The present law defines the principal economic, social and legal conditions for the operation of a peasant farm in the Latvian Soviet Socialist Republic.

The law is directed towards the restructuring of socialist production relationships in the rural areas, the efficient use of land as the principal means of production and raising the fertility of soil in the interest of improving the interest of a peasant in increasing the production of goods and improving their quality. In addition, it guarantees the return to a peasant of the status of a land owner.

Article 1. A Peasant Farm as a Form of Socialist Management.

1. A peasant farm is created for the production of high quality agricultural products.
2. A peasant farm, in addition to state and cooperative agricultural enterprises, is the principal element of the unified national economic complex. Work on a peasant farm is a form of socially useful activity.

The state guarantees the observance and protection of the rights and legal interests of a peasant farm.

3. A peasant farm is an economically independent producer of agricultural products and one which determines independently the direction of its operations, specialization and production volume and organizes the production and sale of its products.
4. The operation of a peasant farm must stimulate the development of economic competition, business rivalry in the market between peasant farms and state and cooperative enterprises and it must promote improvements in managerial efficiency.
5. Interference in the production activities of a peasant farm by state, cooperative or other public organizations and institutions is prohibited.

Article 2. Legislation Governing Peasant Farms

Relationships associated with the creation and operation of peasant farms are regulated by the Constitution of the Latvian SSR, the present law and other legislative documents of the Latvian SSR.

Article 3. Creation of a Peasant Farm

1. A peasant farm is organized exclusively on a voluntary basis.

2. A citizen of the Latvian SSR who desires to create a peasant farm submits an application requesting that a tract of land be made available to him to the executive committee of a village or settlement soviet of people's deputies (at the place where the tract of land is located). This application will contain information on the location of the tract of land, who is using it and also the desired area of the tract of land to be made available.

In each instance, the size of the tract of land is determined taking into account the structure of the peasant's family, the planned specialization for the farm, the local conditions and the potential for its efficient use.

A preference with regard to obtaining a tract of land is extended to citizens who are taking over a farm of their relatives and who possess the required agricultural training or operational experience in agriculture.

3. The application by a citizen and the recommendation by the executive committee of a village or settlement soviet of people's deputies is reviewed within a period of 30 days by the executive committee of the rayon soviet of people's deputies. A peasant farm is considered to have been created at the moment the executive committee of a rayon soviet of people's deputies hands down the decision calling for the tract of land to be made available to the peasant.

4. A tract of land is presented to a peasant desiring to create a peasant farm in the manner called for in the Land Code of the Latvian SSR, with the land being made available from the state reserves, the state forestry fund or from the lands of kolkhozes, sovkhoses and other enterprises and organizations.

5. Land and other natural resources which are the exclusive property of the state are presented to a peasant for use in perpetuity. The right to use land and other natural resources is transferred over to the heirs of a peasant. The right to use land in perpetuity is reinforced by the state document governing the right to use land issued by the executive committee of a rayon soviet of people's deputies. At the same time, the peasant is provided with data on a quality and economic evaluation of the farm's land.

6. A peasant farm must be registered with the executive committee of the appropriate village or settlement soviet of people's deputies.

7. The right to use a forest, water and mineral resources for one's own needs is presented simultaneously with the right to use a tract of land or separately in the manner called for in the Forestry and Water Codes or in the Code for Mineral Resources of the Latvian SSR.

8. Land and forest management on a peasant farm are carried out at the expense of the state.

#### Article 4. Land Utilization on a Peasant Farm

1. A tract of land presented to a peasant cannot be divided up; its size can be changed only upon request by the peasant himself.

2. In the event of the death of a peasant who by virtue of a government document was entitled to the use of land, one of his heirs or another member of the family is authorized to reformulate in his own behalf a state document authorizing his use of the land.

The members of a peasant's family include the spouse, children, parents and other relatives, all of whom work permanently on the farm.

3. In the event of a dispute between the heirs, the question concerning the primary right to land utilization is resolved by a court, while taking into account the contribution by each of the heirs towards the development of the peasant farm and also the true potential for managing the peasant farm (work capability, professional training and other circumstances).

4. A peasant can reject the right to use a tract of land made available to him. In such a case, he indicates the legal successor from among the family members who is authorized to formulate in his own behalf the government document for the right to use the land.

5. The right of a peasant to land utilization is terminated either fully or partially in the following instances:

5.1—voluntary rejection of the right to use a tract of land;

5.2—the use of a tract of land for non-agricultural purposes;

5.3—criminally punishable actions by a peasant which violate the right of state ownership of land;

5.4—exceptional need for withdrawing a tract of land in order to satisfy a state of public need.

In the event of the complete or partial withdrawal of a tract of land from a peasant in order to satisfy a state or public need, the executive committee of the rayon soviet of people's deputies is obligated to ensure the presentation to the peasant of an equivalent tract of land in another area. The withdrawal of a tract of land is carried out only after the organization or enterprise which allocated the tract of land has reimbursed the peasant for losses sustained (including income which he failed to obtain) and following the construction of equivalent housing and production facilities in exchange for those withdrawn.

The withdrawal of land is carried out only in keeping with the system established by the Land Code for the Latvian SSR.

Property disputes in connection with the withdrawal of tracts of land are resolved by a court.

#### Article 5. Property of a Peasant

1. The private property of a peasant can include:
  - 1.1—buildings and structures with no limitation on area;
  - 1.2—sowings and plantings;
  - 1.3—tractors, trucks, equipment and other items of agricultural equipment and spare parts for them;
  - 1.4—productive and working livestock;
  - 1.5—products produced;
  - 1.6—other property needed for managing a peasant farm.
2. Spouses who reside together and their minor children can have only one peasant farm.
3. In the event of the sale of buildings and structures to citizens who are not members of a peasant's family, the question of land utilization will be resolved in the manner established in Article 3 of the present law.
4. When liquidating a peasant farm, the property of a peasant, after accounts have been settled with regard to labor payments, obligations to the budget, bank and other creditors, is divided up in kind or can be sold to another owner.

Disputes concerning the dividing up of property are resolved by a court.

#### Article 6. Legal Protection for the Property of a Peasant

1. The property of a peasant is protected by the state and guarded by law.

The right to dispose of property belongs only to a peasant.

The property of a peasant can be withdrawn from him in a forcible manner only on the basis of a court decision and in keeping with established legal practice.

2. A peasant, in terms of his obligations, is responsible for property for which, in accordance with existing legislation, a penalty can be imposed.

The state bears no responsibility for the obligations of a peasant.

The property relationships of a peasant and the members of his family are defined in the Civil Code of the Latvian SSR and the Code on Marriage and Family of the Latvian SSR.

#### Article 7. Inheritance and the Property of a Peasant

The property of a peasant is inherited by persons who are legal heirs or cited in a will, in accordance with the Civil Code for the Latvian SSR.

The property of a peasant is turned over to the state when, either according to law or on the basis of a will, there are no heirs and also if none of the heirs accept the

inheritance or if all of the heirs are refused an inheritance in accordance with the terms of a will.

An heir to the property of a peasant is released from having to pay the state tax established for the issuance of a certificate attesting to the right of inheritance, upon the condition that the state document governing the right of land utilization is formulated in his behalf.

#### Article 8. Labor, Social Security and Social Insurance on a Peasant Farm

1. The operation of a peasant farm is based upon the personal labor of a peasant and the members of his family.

In the event of a production requirement, a peasant is authorized to enlist the aid of other citizens for work purposes.

2. The labor rights and obligations of a peasant are defined in the present law and those of persons enlisted by a peasant for work in accordance with a labor contract—by the Code on Labor Laws of the Latvian SSR.

3. A peasant and all members of his family who are 14 years of age or older and who work on the farm are subject to state social insurance and social security in like manner as manual and office workers.

4. A peasant is registered as an insurer in the appropriate trade union organ and in the established manner makes contributions to the state social insurance fund based upon withholdings from his own income and from the income of members of his family as well as persons working on the basis of a labor contract.

5. The period of time worked on a peasant farm is credited both towards an individual's general and uninterrupted length of service, based upon documents which confirm the payment of social insurance dues.

6. A written contract is drawn up for persons enlisted by a peasant for work on a farm, with this contract being subject to approval by the village or settlement soviet of people's deputies and to registration in the trade union organ, provided the peasant farm is the principal place of work for these individuals.

7. For persons working on the basis of a labor contract, an entry in their labor book serves as the basis for confirming their working time on a peasant farm.

The wages for persons enlisted by a peasant for work on his farm are carried out by agreement between the parties involved.

8. The full pension amounts agreed upon earlier are retained for a peasant, the members of his family and also for persons enlisted for work on a contractual basis.

9. A peasant implements measures for ensuring labor, equipment and fire safety, production hygiene and sanitary conditions.

Article 9. Use by a Peasant of Natural Resources

1. A peasant utilizes land and other natural resources in keeping with the laws of the Latvian SSR. A peasant is responsible for observing the requirements for the efficient use and protection of the land, water, forests and other natural resources made available for his use.

A peasant is obligated to ensure the efficient use of land, to display constant concern for improving its fertility, to utilize it in a thrifty manner in conformity with the goals for which it was presented to him and to protect the environment against contamination and other harmful effects.

2. A peasant, using his own funds and credits, carries out nature conservation measures which must compensate for the adverse effects of his economic activities upon the natural environment.

3. A peasant is obligated to provide compensation for damage caused by him as a result of having violated the laws established for protecting nature.

If the established regime for the use of nature is violated as a result of a peasant's operations, he will be held responsible in accordance with the established laws of the Latvian SSR.

4. The state guarantees protection for the land, water, forests and other objects presented to a peasant for use, against illegal actions by organizations and citizens.

5. The state organization bears responsibility for losses inflicted upon a peasant farm in connection with a limitation being placed upon its economic activity.

In such instances, a peasant farm is reimbursed for the losses sustained (expenses, payments for damaged property and also for income that was not obtained but would have been were it not for limitations placed upon its economic activity).

Disputes which arise in such matters are resolved by means of a court.

Article 10. Sale of Farm Products by a Peasant

1. A peasant possesses the exclusive right to dispose of the products of his farm.

A peasant is authorized, in the absence of special permission, to engage in the processing and sale of the products of his farm.

2. On a voluntary basis, a peasant can conclude contracts for the sale of products with state, cooperative and public enterprises and organizations engaged in the procurement and processing of agricultural products and it can also sell these products at its own discretion to any other consumers and at kolkhoz markets.

Products sold to state enterprises and organizations are paid for at state purchase or contractual prices at the same levels established for kolkhozes and sovkhoses.

The prices for the remaining products sold by a peasant are established by agreement between the parties involved.

Article 11. Issuing of Credit and Financing the Work of a Peasant

1. A peasant, for the purpose of expanding the production of agricultural products, improving their quality and ensuring the efficient use of land, natural and material resources, is authorized to take advantage of bank credit.

A peasant is authorized to open up a current account in a banking institution for the purpose of maintaining accounts and accumulating savings.

2. A peasant owner of a current account is free to dispose of the funds in such an account as he sees fit. The use of funds from a peasant's current account is carried out on a non-cash basis and also by means of cash payments.

All payments from a peasant's current account are carried out on the basis of monthly receipt of accounting documents by the banking institute.

3. The writing off of funds from a peasant's current account can be carried out only with his consent or by a court decision.

4. Bank institutions can provide a peasant with long-term loans on a contractual basis. The loan conditions are defined in the loan agreement between a banking institution and the borrower. In the loan agreements with peasants, the individual's obligations with regard to a guarantee for the credited values and other forms for ensuring the return of the loans are stipulated and also insurance for the dwellings, buildings and installations built by means of the loans obtained and other fixed capital.

5. A peasant bears complete responsibility for the observance of loan agreements and accounting discipline.

In the event a peasant fails to make good on a loan in a timely manner, the banking institution can exercise its right to sell the property taken as collateral and to use the earnings from such sale to pay off the indebtedness.

6. State and cooperative organizations are authorized to issue loans to a peasant in accordance with a mutually agreeable contract.

7. The executive committee of the rayon soviet of people's deputies is authorized to provide gratuitous material assistance or to issue an interest-free loan to be used for covering the priority expenses associated with the creation of a farm.

The system for issuing and the conditions for repaying such a loan are established by the Council of Ministers of the Latvian SSR.

8. A village or settlement soviet of people's deputies presents the executive committee of a rayon soviet of people's deputies with recommendations for distributing

the overall loan amount among peasant farms and it exercises control over the correct use of such credit.

#### Article 12. Peasant Taxation

Peasant taxation is carried out in conformity with the laws of the USSR and the Latvian SSR.

The executive committees of rayon soviets of people's deputies are authorized to release a peasant from having to pay an agricultural tax for the first 5 years and also to provide him with privileges in connection with the collection of the mentioned tax.

A peasant is released from having to pay income tax on income realized from the sale of agricultural products.

#### Article 13. State Insurance for the Property of a Peasant

Insurance for the property of a peasant is carried out in accordance with the rules for insuring the property of citizens as established by legislation.

#### Article 14. Logistical Support for a Peasant

A peasant acquires the property he needs for carrying out agricultural work from state and cooperative enterprises and organizations, at kolkhoz markets and the population and also goods from the state and cooperative retail trade network.

A peasant is authorized to acquire:

- tractors, trucks, other items of agricultural equipment and spare parts for them, mineral fertilizer, concentrated feed, implements, construction materials, fuel and lubricating materials and other products needed for farm operations, through the logistical supply system, in the manner established for kolkhozes and at wholesale prices;
- livestock and poultry at agricultural enterprises—at prices determined by agreement among the parties involved;
- high quality seed and planting stock at agricultural enterprises—at retail and wholesale prices in conformity with the established system.

The payments for the use of gas and electric power for production purposes are carried out at rates established for kolkhozes.

The repair and technical servicing of tractors, trucks and other items of agricultural equipment belonging to a peasant are carried out by agro-industrial enterprises and organizations at the current prices (rates) established for the furnishing of these services to kolkhozes and sovkhozes.

#### Article 15. Relationships of a Peasant With Enterprises, Institutes, Organizations and Citizens

1. A peasant is authorized to carry out transactions, as provided for by law, with state, cooperative and other public enterprises, organizations, institutions and citizens.

2. A peasant is authorized to acquire, exchange, sell, lease or borrow from state, cooperative and other public enterprises, organizations, institutes and citizens any property needed for the operation of his farm.

3. A peasant can, by mutual agreement, temporarily lease a tract of land from another landholder.

4. The computations for leasing non-housing facilities and structures are carried out at rates agreed upon by the parties involved, but not higher than the rates approved for kolkhozes by the Council of Ministers for the Latvian SSR and for vehicles—at prices established by agreement among the parties involved. Tractors, self-propelled chassis and towing implements for them can be acquired at their residual value.

5. The economic-production relationships of a peasant with state, cooperative and other public enterprises, organizations, institutes and citizens—consumers of his products—and with the suppliers of logistical resources and all of his economic operations are carried out by agreement among the parties involved.

If he fails to observe his contractual obligations, a peasant is held materially responsible and must provide reimbursement to a consumer for the damage sustained. State, cooperative and other public enterprises, organizations, institutes and citizens, should they fail to observe their contractual obligations in behalf of a peasant, are held materially responsible and must provide reimbursement to the peasant for the damage sustained.

The drawing up of contracts, including the selection of contractual partners, lies exclusively within the competence of a peasant. Interference by state and cooperative administrative organs and officials in the establishment and implementation of contractual relationships is not to be tolerated.

6. For the purpose of carrying out his tasks, a peasant is authorized on a contractual basis to use property presented to him by state, cooperative and other public enterprises, organizations, institutions and citizens. With the consent of those enterprises, organizations, institutions and also citizens who presented a peasant with property for use, he can acquire the buildings, facilities, equipment and other property presented to him.

7. The reclamation of land made available to a peasant and the installation of roads leading to them and the erection of electric power and communications lines are carried out by means of the state budget by state, specialized or other organizations. The work carried out is paid for in accordance with the established norms.

A peasant is released from having to pay amortization payments for objects placed in operation.

#### Article 16. Associations of Peasant Farms

Peasant farms can merge together into cooperatives, associations or unions for the purpose of carrying out individual types of activity and in so doing they retain their economic independence. Moreover, they are permitted to withdraw from such groups as they please.

#### Article 17. Resolution of Land Disputes

All disputes concerning land utilization by a peasant are resolved in the manner established in the Land Code of the Latvian SSR.

### Gosagroprom Head Discusses New Law

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13 Jun 89 p 2

[Interview with Vladimir Frantsevich Rymashevskiy, chairman of Gosagroprom for the Latvian SSR by ISVESTIYA correspondent I. Litvinova, Riga: "Rights of a Peasant Protected by Law"]

[Text] As already reported, the "Law Governing Peasant Farms" was adopted during a recent session of the Supreme Soviet of the Latvian SSR.

Vladimir Frantsevich Rymashevskiy, chairman of the republic's Gosagroprom, was among those who participated in the work of the session and who voted for this law.

In a discussion with an IZVESTIYA correspondent, he comments upon this new legal document.

[Litvinova] We never before had such a law. Although, in all probability, this is a very weak argument in favor of the adopted document. I could express it differently: there have never been laws which protected the vital interests of a peasant. There is no need for convincing anybody regarding a peasant's need for such protection. Even at the present time, with the March (1989) Plenum of the CPSU Central Committee having advocated the legal coexistence of different forms of ownership and management, many obstacles are still being placed in the path of those seeking to become true owners of land. And there is no longer any need to mention the past.

Nevertheless, Vladimir Frantsevich, I would like to learn in greater detail about the reasons for this new law being enacted and about the law itself.

[Rymashevskiy] We need only turn to the past and we are convinced: the farmstead life style has always been typical of Latvia and this was especially true during the 1920's and 1930's. It can be stated that the desire to own land and to have a farmstead on it—a home, cattle shed and other buildings—has always been characteristic of a Latvian peasant. However, this very tenor of life, which was created a long time ago and which has been passed on from one generation to another, was demolished very

quickly. The process began with the deportation of 1949, at which time many peasants were shipped to Siberia (historians note that kulaks as a class did not exist in Latvia at this time). And it is further known that the farmsteads were dismantled and their members driven into settlements where at times not even primitive housing was available. Subsequently, small schools, clinics and domestic services points were gradually closed down. The ultimate result was understandable: people began leaving the countryside and Latvia was no exception in this regard. Nothing remained from the traditional tenor of rural life.

[Litvinova] The way of life in the Latvian rural areas, just as everywhere, is the same—kolkhoz and sovkhoz production. Some of these farms are operating well and yet many can hardly feed themselves.

[Rymashevskiy] Yes, no good will come from monopolistic practices. But in addition to its social results, the elimination of the farmstead system also had serious economic consequences. From their farmsteads, the people went to large collective farms where it was not possible to work small patches of land.

As you know, several years ago we discussed lease type arrangements. At that time, many throughout the republic recalled the restoration of the traditional peasant farms. There were many people who wished to take up agriculture in a serious manner and become family producers of goods. Thus it became necessary to shift from theoretical judgements concerning assistance for the peasants to practical actions and the sooner the better. Our law derived from this position.

[Litvinova] What in your opinion is the most important aspect of the new document?

[Rymashevskiy] Beyond any doubt, the statute having to do with the transfer of land over to peasants for use in perpetuity. Obviously, the land continues to remain state property. But the right to possess and use it transforms a peasant into a true landlord. The law and earlier adopted decrees of the Central Committee of the Communist Party of Latvia and the republic's Council of Ministers place peasant farms on a par with kolkhozes and sovkhozes in all respects. From the position of a suppliant and poor relative, they have been transformed into full and equal landlords. Honor will only be bestowed upon those who work better and more effectively.

In accordance with the new law, the private property of peasant farms can include buildings and installations—productive and working livestock with no restriction on area—however many as are needed. Equipment—tractors, trucks and sowing machines—will be sold at the same prices as sold to kolkhozes or sovkhozes. They will pay the same rates for electric power, fuel and fertilizer.

[Litvinova] And at what prices will the peasants sell the products they produce?

[Rymashevskiy] They will decide this for themselves. If they choose to sell to the state, the purchase and contractual prices will be the same as those for kolkhozes and sovkhoses. A peasant can conclude contracts for the sale of his products with state, cooperative and public enterprises and organizations which are engaged in procurement and processing operations. And if there is interest in shipping the products produced to market—this is also permitted. It is stated in the law: "A peasant possesses the exclusive right to dispose of the products of his own farm." In my opinion, no further comment is needed. Moreover, in the interest of providing initial support for our peasant farms, a recently adopted decision called for the purchase prices for their products to be established at 15 percent higher than the average prices for the republic.

[Litvinova] Nevertheless, in the absence of initial capital it is difficult to commence operations: build a home, purchase a tractor or start up a farm.

[Rymashevskiy] The republic's Council of Ministers examined this question in March and found it possible to allocate 3 million rubles for interest-free loans. Up to 10,000 rubles can be obtained by those who decide to create a peasant farm. If it develops in a normal manner, then there generally no need for the loan to be returned. But after a period of 5 years has elapsed, a negligent must make good on his obligation

A peasant can obtain an even larger amount—40,000-50,000 rubles from Gosbank. Once again, the conditions are the same as those for kolkhozes and sovkhoses: .75 percent for long term loans and 1 percent for short term ones. Certainly, the bank will issue this money in a gradual manner for a special purpose—for a home, for a truck and so forth.

[Litvinova] In the case of money, it is clear and yet land—a tract of land—indeed this is not just arable land. A peasant may have a stand of trees or a pond on his plot.

[Rymashevskiy] It will belong to him. But this does not mean that "his" stand of trees can be cut down during the first year or that the pond can be turned into a gutter or ditch. The rules of the forestry and water codes and the mineral resource code of the Latvian SSR are mandatory for peasants to the same degree that they are for other citizens.

[Litvinova] The law states that the work of a peasant farm is based upon the personal labor of a peasant and the members of his family. But a basically new addition has appeared: "In the event of a production need, a peasant is authorized to enlist the aid of other citizens for work purposes." Admittedly, this is an unusual development

[Rymashevskiy] What is meant by unusual here? Contractual work indeed is carried out extensively in state enterprises and cooperatives. Thus there is no reason for depriving a peasant of the opportunity of enlisting the

aid of others for the carrying out of difficult work. Here we are not discussing the hiring of farm laborers, but rather workers who are entitled to all of the rights available. They will make entries in their labor booklets calling for the work to be credited to them—thus the work will be added to their length of service. A contract between a peasant and seasonal assistants is approved and registered by a village or settlement soviet. The owner of a peasant farm makes insurance payments for himself, for his family and for his workers. Thus all of the social guarantees, including payments for vacation periods and sick time, are retained.

But I do not think it will be that easy to find workers

[Litvinova] Up until this point we have discussed the granting of land to a peasant. But can this land be withdrawn from him by anybody?

[Rymashevskiy] This is a very important question. And it is very important from a legal standpoint. For example, an individual takes over a plot of land, but does not work it for a period of up to 3 years and his farming work leaves a great deal to be desired. In such a case, the situation should be examined thoroughly: should he continue to retain his right to land utilization? It should be made quite clear: a tract of land is made available only for agricultural production. If not used for this purpose, it should be withdrawn from the user.

And the last circumstance. An exceptional need may develop for utilizing a tract of land for state or public needs, for example for the construction of a railroad or highway. Each such case will be examined by the republic's Council of Ministers. Land can be withdrawn only in the manner established in the Land Code for the Latvian SSR. The law does not tolerate any independent action in the various areas, such as "I wish to withdraw." But if an acute need demands the withdrawal of land from a peasant, then he must be provided with an equivalent plot in another area and he must also be reimbursed for losses (including income that was not obtained) and a home and production facilities built for his use.

[Litvinova] Will you be meeting the desires of each individual who submits a request asking for a plot of land to be allocated to him?

[Rymashevskiy] We have 830 peasant farms registered in the republic. First of all, the land is presented to those who possess experience in carrying out agricultural work or special training. There must also be a guarantee that the plot will be used as intended and in a profitable manner.

[Litvinova] Are not the kolkhozes and sovkhoses disturbed over the competition posed by these peasant farms?

[Rymashevskiy] There are two and a half million hectares of agricultural land in the republic. Only 15,000 hectares have been allocated for use by peasant farms. Is

this competition? Perhaps, to an extent. But even if this present competition increases to a monopolistic extent, there will be nothing wrong with it; in the final analysis, we will all profit from it.

## MAJOR CROP PROGRESS, WEATHER REPORTS

### Adverse Weather Causes Extensive Crop Damage in Uzbekistan

#### Bad Weather Damages Crops

18240175 Tashkent PRAVDA VOSTOKA in Russian 4 May 89 p 1

[Commentary by I. Kh. Dzhurabekov, Chairman of UzSSR Gosagroprom [State Agroindustrial Committee]: "Being Tested by Adverse Weather"]

[Text] In the republic's agriculture an extreme situation has developed. At the junction of May and April a sharp cooling of temperatures unusual for this time of year, snow and rain burst forth on the covering of fresh young vegetables in the fields, on plantations, on orchards and on vineyards.

What kind of losses have been incurred and what is being done to overcome the consequences of the natural disaster? PRAVDA VOSTOKA has asked I. Kh. Dzhurabekov, Chairman of UzSSR Gosagroprom to comment on this. Here is what he stated:

According to preliminary assessments of the 1.9 million hectares of cotton sown, 460,000 hectares have perished completely and on 200,000 hectares 20-30 percent of crops have been damaged. Especially large areas have suffered in Samarkand, Tashkent, Bukhara, Syr-Darya, Surkhan-Darya, Kashka-Darya and Fergana oblasts. There are many regions in which there was a total loss of shoots.

For the immediate correction of the situation it is essential to resow no fewer than 90,000 hectares daily in order to complete work by 7-8 May. Little time remains for the development of crops and for this reason we must utilize rapidly-maturing seed varieties such as Tashkent-6, S-4727, Kirghiz-3, Uychi-2 and AN-Bayaut-2. Right now there is sufficient seed of these varieties for half of the resowing area, but cotton plants have already been put on a round-the-clock regimen for producing an additional 15,000 tons by 5-6 May.

Staffs have been created in each oblast to efficiently deal with the problems that arise. Specialists of UzSSR Gosagroprom are going on location to provide practical advice.

The bad weather also affected grain crops. Of 530,000 hectares of dry-farming lands, 370,000 hectares will not produce a harvest. Corn for grain perished on 35,000 hectares.

We are taking measures to reestablish perished crops. Resowing must be completed no later than 15 May. Enterprises have the necessary quantity of hybrid BTs and Ulugbek seed. Moreover, hybrids developed by Moldavian and Hungarian breeders have been brought in.

It is planned to overcome the underproduction of grain from dry-farming lands by means of the additional sowing of corn on an area of 16,000-17,000 hectares and of increasing early sowing now to 130,000 hectares and repeat sowing of rapidly-maturing varieties—to 60,000 hectares. As a result there will be 190,000 hectares in corn for grain. Land resources enable us to do this.

Fruit and vegetable farming is in a critical state.

According to the plan vegetables are to be sown on 80,000 hectares; 60,000 have been sown. Fully lost were 20,000 hectares, specifically those in tomatoes, cucumbers, eggplant and Bulgarian peppers. Moreover, 10,000 hectares of vegetable plantations were seriously affected at a rate of 25 to 40 percent.

Over half of the planned volume of early vegetables will not be produced. In order to partially correct the situation today we have seedlings available for 2,000 hectares. We will sow the remaining area in seed right into the open ground, which will enable us to produce vegetables by August-September and to compensate in the production and sale of vegetable products.

Sowing and planting of vegetable seedlings are to be completed by 10 May. Enterprises have a complete supply of seed.

A difficult situation has developed in potato farming. The plan for planting potatoes involves 28,300 hectares; 18,000 have been planted and have produced shoots. All shoots have been damaged significantly, which will affect the productivity and underproduction of tubers.

In order to rejuvenate damaged crops work has begun to cultivate the soil, to apply organic and mineral fertilizer and to carry out additional irrigation. Potatoes will be planted in the full volume using late varieties. But enterprises must be supplied with sufficient quantities of seed. For this we will turn to the USSR Council of Ministers for help.

Of the 34,000 hectares occupied by melons, half of the crops have perished. There have been perceptible losses in orchards and vineyards. Of the 65,000 hectares of fruit-bearing orchards, 42,000 have been damaged. On an area of 23,000 hectares, according to specialists, the harvest has perished completely. Underproduction of fruit will comprise about 190,000 tons.

Fruit-bearing vineyards occupy an area of 85,000 hectares. Over 57,000 hectares have been damaged and on 32,000 the harvest is lost.

An alarming situation has developed in silkworm farming. We are to feed 520,000 cocoons. Meanwhile,

mulberry trees have been damaged to such an extent that about 20 percent of cocoons will remain without food.

Serious losses have been incurred by the feed base of livestock raising. Thousands of hectares of root crops, alfalfa and corn for silage have perished. According to assessments, underproduction of coarse and succulent feeds will comprise 200,000-250,000 tons of feed units.

Livestock raising itself has suffered. Animals have been affected by epizootic disease and have had to be slaughtered. Sheep-raising enterprises have suffered most.

Private plots have suffered considerable losses. According to estimates, underproduction of potatoes by them will comprise 70,000 tons, of vegetables—120,000 tons, of fruits and berries—over 100,000 tons and of grapes—80,000 tons.

I would especially like to discuss the need to help leasees. We cannot allow them to remain one on one with the consequences of the bad weather. At the present time over 800,000 hectares of land have been transferred to lease and contract collectives and of course the disaster did not leave them untouched. I feel that we must maximally support leasees with a partial payment for the incurred losses.

The republic's agricultural production has suffered unprecedented losses. In monetary terms the closest estimates show that expenditures for lost crops comprise: in cotton farming—about 200 million rubles, in grain farming—99 million rubles, in vegetables, melons and potatoes—42 million rubles, in livestock raising—3.6 million rubles, and in silkworm farming—50 million rubles, for a total of 400 million rubles. In addition, we expect an underproduction of agricultural products worth over 500 million rubles.

I must also mention that losses might have been even greater if thousands upon thousands of villagers did not spend entire days and nights in the fields during the bad weather. They lit bonfires, placed smoke curtains, covered vegetable furrows—this saved a portion of the crops. But today we must demonstrate maximum organization, effort, persistence and skill to eliminate the consequences of the adverse weather as quickly as possible. This work has begun in all oblasts. But the scale of the loss requires more active and coordinated action.

#### **Work to Overcome Consequences of Adverse Weather**

18240175 Tashkent PRAVDA VOSTOKA in Russian 6 May 89 p 1

[Article by I. Nigay: "Discovering Resistance Work is Being Carried Out Intensively to Eliminate the Consequences of Adverse Weather in Contract and Lease Collectives of the Kara-Kalpak ASSR"]

[Excerpts] During the last 3 years for the fourth time the weather has interfered with the farmers of the Kara-Kalpak ASSR. This unhappy statistic is today being

made up for only by the positive changes in the APK [Agro-Industrial Complex] of the autonomous republic.

In past seasons it happened that downpours washed away shoots and then later shoots dried out on half of the sowing area. Nevertheless, the consequences of the disasters were eliminated noisily but without that organization and activeness that can be observed today. Previously no one was deeply affected by the losses, and natural anomalies were even "welcomed" sometimes. It was possible to make money on them, to cut the plan and sometimes to earn glory: "despite the weather conditions..."

[passage omitted]

Yesterday the Kara-Kalpak ASSR Gosagroprom analyzed reports on the consequences of the frost. As reported by N. Khilalov, Deputy Chairman of Gosagroprom, the losses incurred by agriculture in the Kara-Kalpak ASSR, according to preliminary calculations, are valued at over 12 million rubles. Whereas today resowing and supplementary sowing are proceeding on over 62,000 hectares, 800 hectares of orchards have been irretrievably lost.

Silkworm breeders are hopeful as mulberry trees rejuvenate. Sericulturists have decided to wait 2 weeks, having put silk-weaving larva to sleep for this period. Silkworm eggs will be put in according to how many of the 66,000 trunks of mulberry trees survive.

In contrast to other regions of Uzbekistan, there was no precipitation in the Kara-Kalpak ASSR and the atmospheric temperature did not fall below 2 degrees. However, frost was accompanied by strong winds with a powerful salt depletion. No one wants to predict the consequences of this depletion from the salty bottom of the Aral Sea. But looking at the overly dry waterways of the Amurdarye and of irrigation systems it is clear that the farmers of the Aral region can only dream about flushing irrigation of salinized soil.

#### **Acting to Overcome Problems**

18240175 Tashkent PRAVDA VOSTOKA in Russian 11 May 89 p 1

[Interview by R. Mukhametzyanov with R. A. Giniyatullin, First Deputy Chairman of UzSSR Gosagroprom: "Organization and Initiative Will Help to Eliminate the Consequences of the Disaster More Quickly"]

[Text] PRAVDA VOSTOKA has already reported on the extreme situation that has developed in agriculture in the republic due to snowfall, frost, downpours of rain and hail. Preliminary data on the incurred losses was presented. Today, when the scale of the loss has been more precisely determined, our goals are clearer.

This is the topic of discussion between our reporter and R. A. Giniyatullin, First Deputy Chairman of UzSSR Gosagroprom.

[Mukhametzyanov] Rim Abdullayevich, how much of a difference was there between the preliminary and precise data regarding the incurred loss?

[Giniyatullin] The situation has turned out to be more serious than supposed. The prolonged cold exacerbated the situation. Thus, whereas at first it was reported that about 600,000 hectares of cotton were damaged, according to more precise data there were over 900,000 hectares like this. Over two-thirds of this area had to be fully resown; the remainder must undergo supplementary sowing and additional agricultural measures.

On a preliminary basis it was assessed that alfalfa perished on 30,000 hectares. Losses turned out to be much higher—125,000 hectares were damaged, half of them will have to be replowed and sown in feeds. Vegetables and melons were destroyed on 43,000 hectares and seriously damaged on 19,000. About 130,000 hectares of corn for grain and silage suffered. Significant losses were borne by orchards on 45,000 hectares, by vineyards on 70,000 hectares and by other crops.

In general we may underproduce products worth over 800 million rubles, 250,000-300,000 tons of raw cotton and about 900,000 tons of fruit and vegetables.

[Mukhametzyanov] The situation that has developed must result not in disorganization but in complete mobilization of all efforts.

[Giniyatullin] Folding our hands and waiting for help from the outside—this is not an answer to the problem. Much can be corrected. Extreme situations are not rare in agriculture and the Uzbek peasant knows how to find a solution. For this reason today we must utilize Aksakal experience, the recommendations of science and the successful discoveries of practical experience in order to have a maximum return from fields, orchards and vineyards this year.

All work to eliminate the consequences of the disaster must be completed within a compressed period. Measures involving cotton, grain and vegetables are already being fulfilled. How fully we implement them will influence the fate of the agricultural year.

In many enterprises there has been concern about the fate of the harvest and work is proceeding in an organized manner and with initiative. But even more active action must be taken. Despite the fact that the republic's administrative commission is carrying out extensive work and that Gosagroprom's staff is making quick and clear decisions regarding questions related to supplies of seed, fuel, fertilizer and so forth, there are still vexing interruptions locally, as for example at petroleum bases and in banks. Their workers, following instructions, often create delays and impediments. It is essential that they become aware of the general concern today, when time is so precious for farmers, and leave the essential formalities for later.

[Mukhametzyanov] Does the republic need the help of union organs?

[Giniyatullin] It is extremely essential. An extreme situation has developed which in its economic and emotional effect is equivalent to a natural disaster. The republic may lose over 1 billion rubles total.

We need bank credit—no less than 700 million rubles. Today enterprises have nothing with which to pay for the measures they are implementing.

Leasees and private plots of villagers have borne considerable losses. They must be supported. According to our calculations, we will need 200 million rubles for this.

We must solve the problem of additional allocations to the republic of 300,000 tons of mineral fertilizer, 130,000 tons of diesel fuel and 50,000 of gas. The problem of problems is seed potatoes; we need 40,000 tons. Our representatives have traveled to other regions of the country, but the results as of now give little hope. Because of this we are wasting valuable time.

Under existing circumstances the republic cannot fulfill its obligations related to deliveries into the union fund. A correction in the order must be made—of half a million tons of fruits and vegetables. Further, Uzbekistan's Gosagroprom operates according to cost accounting. Losses due to natural calamities are covered by sources for financing construction in village housing, social and cultural objects and industrial processing enterprises. We need to support the center in order not to halt capital building—no fewer than 400 million rubles.

[Mukhametzyanov] The extreme situation that has developed in agriculture is cause for well-founded alarm amongst the population—shelves which are "niggardly" to begin with will be empty, prices at the market will increase, and all of this will have a noticeable effect on people's standard of living.

[Giniyatullin] The situation is truly serious and it must be artificially mitigated. But tomorrow depends on our work.

Today a great deal is being corrected in vegetable farming and grain farming and not everything has been lost in orchards and gardens. Probably the most alarming situation exists within livestock raising—the feed base has suffered seriously. We must seek out all reserves to replenish it. Food wastes as well as wastes from enterprises of the food branch must be utilized—in other words, everything that is suitable for livestock feed. We have posed a question before union organs concerning the supplementary allocation of grain forage, the need for the allocation of 300,000 tons of oil cakes and husks produced in the republic for local needs.

And one last thing. The bad weather has not cancelled cost accounting. We must come out of the existing situation with minimum losses. The possibilities for this do exist. We must know how to utilize them.

**Early May Crop Damage in Kirgizia Discussed****Rain and Snow Damage Crops**

18240177 *Frunze SOVETSKAYA KIRGIZIYA in Russian* 4 May 89 p 1

[Article: "Eliminating the Consequences"]

[Text] From 30 April to 2 May there was abundant precipitation in Kirgizia in the form of rain and snow. Practically everywhere there was a sharp drop in temperature, which during the night fell to 8-12 degrees in a number of places. Talas and Keminskiy areas and the foothills of the Chuyskaya Valley were especially sensitive to the effects of the bad weather.

The precipitation and frost resulted in serious losses to the republic's agriculture. According to preliminary data, on 26,000 hectares of orchards and 8,900 hectares of vineyards the fruit buds, ovaries and blooms perished. Of 410,000 hectares of perennial grasses 280,000 hectares were considerably damaged. Losses that cannot be made up have been incurred in vegetable farming, where on 12,100 hectares of 16,700 hectares the seedlings of vegetable crops have perished.

In Osh Oblast areas in cotton have suffered considerably, having succumbed to frost on 11,000 hectares or more than one-third of the area in this crop. In this same region tobacco seedlings were killed by frost on 4,100 of 18,300 hectares.

In a number of regions of the republic there has been significant damage to corn crops and feed root crops.

In connection with the outburst of the bad weather immediately after the May 2 demonstrations, a special session of the bureau of the Kirgiz CP Central Committee was held in Frunze with the participation of workers of ministries and departments to discuss the extreme situation. It assigned responsible parties to regions to determine the amount of losses and to take immediate measures to eliminate the consequences of the disaster.

"At the present time," says Dias Karypbekovich Dzhanybekov, member of the republic's staff to eliminate the losses brought about by the adverse weather, "we are allocating the necessary amount of mineral fertilizer, seed, fuel and other material resources to enterprises in order to resow the agricultural crops that perished after the snowfall and frost and to rehabilitate livestock-raising farms."

Yes, the bad weather left a difficult legacy for us, reducing the efforts of many thousands of villagers to nothing and practically destroying the foundation for the future harvest in many places. Much has to be started from scratch. But we cannot let things go. Right now it is important to do everything possible in order to have the consequences of the adverse weather have as little effect as possible on the volume and quality of the harvest and on the output of livestock products.

**Overcoming the Natural Disaster**

18240177 *Frunze SOVETSKAYA KIRGIZIYA in Russian* 5 May 89 p 1

[Article by KirTag [Kirgiz Telegraph Agency]: "Setting the Will of the People Against the Natural Disaster"]

[Text] On 4 May in the Kirgiz CP Central Committee a meeting was held with the workers of the means of mass information and of Gosagroprom [State agroindustrial association]. The people at the meeting were given information on the situation that has developed in the republic in connection with the unfavorable weather conditions, and about the measures that are being taken in order to more quickly eliminate the consequences of the abundant snowfall and frost that basically covered all of Kirgizia.

U. Sydykov, First Deputy Chairman of the Kirgiz SSR Council of Ministers and chairman of the republic's Gosagroprom, spoke to reporters.

[Sydykov] Up until 30 April the situation within agriculture in the republic was developing favorably, even despite the somewhat late spring. Field and farm workers in general were dealing with the tasks placed before them fairly well in livestock raising as well as in agriculture. Most of the republic's rayons are managing with plans for the production and sale of livestock products. Spring field work, although delayed with the sowing schedule, was still done fairly intensively.

In the enterprises of Osh Oblast, for example, cotton sowing had been totally completed; in a number of regions the planting of tobacco seedlings had begun. In the enterprises of Chuyskaya Valley the sowing of early vegetables under panels was completed and the sowing of vegetables in the ground was almost completed. A number of enterprises had begun to plant seedlings. The sowing of undercover perennial grasses, corn for grain and silage was 70-80 percent complete. In essence everything was proceeding normally.

But the natural disaster, which began on 30 April and lasted for another two days—1 and 2 May, brought considerable change to the work of villagers. Even now there is no complete guarantee that good weather is here to stay.

The first blow struck the enterprises of Talas Oblast. During the night of 30 April there was abundant snowfall here, and in some enterprises such as Karakol Kolkhoz the height of the snow cover reached 15-20 centimeters. After this the storm struck Chuyskaya Valley, Issyk-Kul and Osh oblasts. According to the data of hydrometeorological service, critical temperatures in Talas Valley reached minus 8-12 degrees. In the foothills of Chuyskaya Valley the temperature was somewhat higher.

Due to the low temperatures and the abundant snowfall a difficult situation developed in sheep raising. In a number of regions of Osh and Issyk-Kul oblasts and the Talas zone due to the sharp drop in temperature lambs,

calves and colts began to perish. The situation was exacerbated by the fact that the sheep herd is in stationary establishments and that there is a shortage of feed for the mothers and young because when there is a drop in temperature it is essential to increase the feeding of animals.

Considering the difficult situation that has developed, the republic's council of ministers and gosagroprom assigned the Kirgiz Production Association for Grain Products and Procurement to release 11,000 tons of mixed feed to enterprises using third quarter funds. The government appealed to the USSR Council of Ministers to allocate additional raw materials for the production of 100,000 tons of mixed feed. More mixed feed will be sent to enterprises if the response is a positive one.

A fairly difficult situation has developed in vegetable farming. Due to the low temperatures fruit buds, ovaries and blooms have been almost completely destroyed on 26,200 hectares of orchards. Vineyards have suffered on an area of 8,900 hectares.

Of 410,000 hectares of perennial grasses 280,000 hectares have suffered and in essence farmers will underproduce 280,000-300,000 tons of hay.

Over 14,000 hectares of corn crops have been damaged. A portion will have to be resown, and on the remaining area it is essential to improve care with the goal of partially compensating for losses.

In Osh Oblast over 11,000 hectares of cotton out of 30,700 have been damaged and have perished, as have 4,000 hectares of planted tobacco plants.

The greatest loss was suffered by the republic's vegetable farming. Of 16,700 hectares 12,100 have been damaged to various degrees, including a total loss of 3,247 hectares.

In other words, due to the natural calamity according to preliminary calculations agriculture will underproduce gross production valued at 79.6 million rubles, and the processing industry, due to the shortage of raw materials, will underproduce industrial products valued at 33.6 million rubles. In this way, total losses from the bad weather will comprise about 113.2 million rubles.

In order to eliminate the consequences of the bad weather, comrade A. M. Masaliyev, First Secretary of the Kirgiz CP Central Committee, held an emergency meeting with the participation of most of the members of the central committee buro, who then traveled to oblasts and rayons to take measures locally.

The republic's council of ministers has created a staff to take measures to eliminate the consequences of the natural disaster. I have been assigned as its head, and a work group has been created within Gosagroprom to efficiently process information coming from local areas and to take organizational measures to render practical aid directly to enterprises locally.

At the present time the seed available in state resources is unrestricted and at the first request of enterprises is issued for resowing on areas that have suffered from the natural disaster. Goskomitet [State Committee] on Petroleum Products has been ordered to immediately release fuel and lubricating materials to enterprises which have suffered losses.

Material-technical supply enterprises of Gosagroprom have also been given the order to precisely and uninterruptedly supply enterprises with spare parts, machines and other material-technical resources.

In order to supply enterprises with mineral fertilizers, and we have enough of them, Kirgizselkhozkhimiya [Kirgiz Agricultural Chemical Association] has ordered its enterprises to release them without hindrance to enterprises regardless of the latter's financial situation.

We see the solution to the problem first and foremost in increased care of the remaining area in agricultural crops and in their irrigation and in carrying out resowing within the shortest time possible. While doing this the most careful attention should be given to adhering to all agrotechnical requirements. In livestock raising, in addition to increased feeding, daily concern about animals, and first and foremost about calves, is essential.

Great difficulties have developed in the village and they can be eliminated only through joint efforts, having directed human, material and financial resources toward eliminating the consequences of the natural disaster. Enterprises will be provided with these in reasonable amounts.

Today in every oblast and every rayon there are representatives of the government and of the republic's Gosagroprom who are implementing efficient ties with the republic staff and who are providing organizational aid to eliminate difficulties. I would like press workers to be able to demonstrate objectivity in assessing the situation locally, to have an understanding attitude toward the situation that has developed within agriculture in the republic and to help to eliminate the consequences of the disaster through their passionate words.

### **Making Up for Crop Losses**

*18240177 Frunze SOVETSKAYA KIRGIZIYA in Russian 7 May 89 p 1*

[Article by V. Khilko, U. Arakelyan, Yu. Levchenko and K. Sedoyev, candidates of agricultural sciences; and F. Mukhambetova, director of the vegetable farming laboratory of the Kirgiz NII [Scientific Research Institute] of Farming: "How to Make Up for Losses"]

[Excerpts] With efficient decisions to organizational questions, and the quality implementation of field work it is possible to a considerable degree to make up for the losses brought about by the natural disaster.

As has already been reported, the republic's agriculture has suffered considerable losses in connection with

abundant precipitation and a sharp drop in temperature. Vegetable and melon crops, cotton and fruits and grapes suffered especially.

First of all it is essential to correctly assess the situation in every enterprise and on every field and to determine the degree of damage to crops and the expediency of efficient resowing operations. Vegetable seedlings planted in the open ground and under a polyethylene panel and the germinated seed of vegetable, melon, cotton and other crops in open ground suffered most.

The measures being taken to eliminate the consequences of the disaster must be strictly differentiated depending on the degree of damage done to agricultural crops.

[passage omitted]

**Potatoes.** The haulm of potato plants is sensitive to low temperatures; with a frost temperature of -1 to 1.5 degrees Celsius it turns black and dies. However, the root system and underground part of the plant remain unharmed and for this reason under favorable conditions the growth of the haulm begins anew from live buds.

On damaged areas of potatoes to stimulate the development of live buds interrow harrowing should be carried out, the crops should be top-dressed with nitrogen fertilizer at a rate of 20-30 kilograms of active substance per hectare and when necessary uniform watering should be provided with an expenditure of 300-400 cubic meters of water per hectare.

**Corn.** Its shoots are capable of withstanding frost of up to 5-6 degrees although the above-ground portion of the plant may be damaged or die away completely. During the first period of life (up until 6-7 leaves are formed) only leaves are located on the surface, and the top bud from which the ear forms is still located in the soil. Thanks to this it is protected from unfavorable weather conditions. The growth intensity of plants subject to short-term spring frosts decreases somewhat. And yet such plants develop a fairly large harvest in most cases.

Based on this we feel that the frost could not have damaged corn too much. For this reason it is expedient not to hurry to resow it; if in the course of 5-7 days the plant's vegetation is not restored it is necessary to carry out repeat sowing.

On damaged corn crops it is essential to intensify agrotechnical measures and in the near future to carry out cultivation of the interrows and top dressing with nitrogen fertilizer.

**Vegetable and melon crops.** In open ground the germinated seed of cucumbers, pumpkins, watermelons and melons and the shoots of these crops were severely damaged by the frost. It would be expedient to resow them fully because even partially damaged sprouts of these crops cannot provide the planned harvest.

If 25-50 percent of the seedlings of tomatoes, peppers, eggplant and other vegetable crops are damaged it is necessary to organize the planting of crops, and if damage is greater it is expedient to replant crops and to concentrate them on a smaller area while adhering to the recommended plant density. In the absence of a reserve of seedlings in enterprises we should efficiently organize the sowing of all vegetable crops in open ground.

Tomato seed sown in open ground has not had a chance to germinate fully and this is why it is not necessary to hurry with resowing, and first it is necessary to determine their vitality. This will be known in 5-7 days, after which a decision regarding resowing should be made.

It should be noted that with an efficient solution to organizational problems and with a quality implementation of field work it is possible to make up for the losses in vegetable farming in the republic resulting from the disaster to a significant degree.

### Revitalizing Feed Fields

*18240177 Frunze SOVETSKAYA KIRGIZIYA in Russian 12 May 89 p 1*

[Article by M. Orel, Ye. Mikhaylochenko, G. Magaseva and Y. Bolokbayev, workers of the Institute of Pastures and Feeds: "Let us Rejuvenate the Feed Field"]

[Text] The spring that was late in coming anyway culminated in snowfall and frost. On a significant area forage crops such as alfalfa, corn and feed root crops suffered. The degree of damage differs in different areas. In order to revitalize crops it is very important to rapidly and without delay carry out a number of agrotechnical measures which will enable us to decrease the incurred loss and to create favorable conditions for continued growth and development of plants. Before beginning to implement them it is essential to establish not only the degree but also the nature of the damage.

**Alfalfa.** Science and practical experience have proven that with damage to stems and points of growth in forage alfalfa in more than 50 percent of crops it is essential to immediately mow. Considering that a short grass stand now does not allow us to form a normal windrow, mowing should be implemented using all available units for direct harvesting for haylage. After mowing plots should be top dressed immediately with nitrophos or ammophos at a rate of 1.5 quintals per hectare with subsequent harrowing. After that it is essential to irrigate, using 500-600 cubic meters of water per hectare.

If stems and growth areas are damaged in less than 50 percent of crops it is recommended that the grass stand be retained.

As for seed plots, with damage to more than 25 percent of crops it is essential to mow just as on forage fields, with a subsequent top dressing using nitrophos or ammophos at a rate of 1-1.5 quintals per hectare, and bormagnesium and potassium fertilizers at a rate of 30 kilograms per hectare. On wide-row alfalfa crops it is

expedient to carry out top dressing with cultivation to a depth of 10-12 centimeters. For seed crops it is essential to apply fertilizer while harrowing with heavy harrows. After top dressing there should be watering, using no more than 300 cubic meters of water per hectare.

Fields with damaged alfalfa crops on less than 25 percent of the area should be left for the production of green mass during the first mowing.

Another approach should be used for wide-row and continuous catch crops as well as for fields on which alfalfa has been continuously sown in the current year. If over 30 percent of shoots have perished it is essential to carry out row sowing perpendicular to the distribution of the rows of the catch crop, decreasing the sowing rate by half. It should be kept in mind that on clean wide-row areas alfalfa should be sown with the location of plowshares at 5-7 centimeters from existing rows. With the destruction of less than 30 percent of the alfalfa the crops can be left alone with the subsequent implementation of recommended agrotechnical measures there.

**Now about corn.** The crops that were damaged by the frost must be carefully examined. If the growth point has died, such fields must be resown. Resowing should be carried out after soil preparation. On light and medium soils we can limit ourselves to just cultivation with harrowing but heavy soils, especially mud-covered, must

be plowed. It is expedient to begin the sowing of corn immediately as soon as the soil has warmed up to 12-13 degrees.

The sowing of corn should be carried out with the simultaneous application of mineral fertilizers at a rate of 1 quintal of superphosphate or nitroammophos per hectare. In cases in which the frost has damaged only the leaves of corn shoots it is not expedient to resow. On such fields there should be interrow cultivation with simultaneous top-dressing with ammonium nitrate at a rate of 1-2 quintals per hectare.

After precipitation a soil crust forms on the majority of fields. In order to break it up quickly it is essential to carry out pre-shoot or post-shoot harrowing.

Weeds are growing rapidly in corn fields. It is very important to treat them with ammine salts or with butyl ester. Spraying with herbicides is expedient when the plants are in the stage of development of 3-5 leaves.

In connection with the late spring, moisture reserves in pasture soils are higher than the long-term average. In mountain zones top-dressing should be carried out using nitrogen and phosphorus fertilizers; their joint application is especially effective. The optimum dose for nitrogen fertilizers is 60-80 kilograms per hectare, and phosphorus—30-45 kilograms of active substance.

## POLICY, ORGANIZATION

### Paper Begins Feature on Foodstuff Prices

18270129 Moscow SELSKAYA ZHIZN in Russian  
20 Jul 89 p 4

[Article: "What's for Sale at What Price in the Market?: A New Rubric"]

[Text] *As everyone knows, the shelves of our food stores are not exactly crowded these days. Therefore, all of us have begun to visit the markets more frequently. Some of us go to sell things at prices as high as possible, while others go to buy items as cheaply as possible. Naturally, both sellers and buyers would like to know beforehand what is being offered there at what prices. And our new feature under the rubric cited above will have the task of satisfying this interest. SELSKAYA ZHIZN will publish price summaries every Thursday. They will be prepared by Leonid Ivanovich Vashchukov, chief, Statistical Administration, Agroindustrial Complex, USSR Goskomstat. Today the subject of discussion is vegetables. Their average prices throughout the country shaped up as follows:*

**Potatoes**—71 kopecks. They were most expensive in Ashkhabad—1.5 rubles per kilogram. In Tbilisi—1 ruble, 33 kopecks. The cheapest prices of the 270 cities investigated in this country were in Vilnius, Kostroma, and Kokchetav. As compared with June of last year, the prices on potatoes in the markets of Western Siberia, the Ukraine, Belorussia, Moldavia, Latvia, and Estonia rose by 24-42 percent, while in Georgia, Eastern Siberia, and the Central Chernozem Region they increased by a factor of 1.5-1.8.

**Cucumbers.** The average price for the country as a whole was 1 ruble, 80 kopecks. It is possible that now that they have become more and more plentiful the price has dropped in certain regions, but not very much, because in other localities the price has risen. They have begun to process cucumbers for winter. In Chelyabinsk, people were paying an average of 4 rubles, 26 kopecks per kilogram of cucumbers, in Irkutsk—6 rubles, in Kokchetav, Orenburg, and Kazan—3 rubles. Even in the "cucumber zones" such as Voronezh and Krasnodar the average price is 2 rubles. They were somewhat cheaper in Ryazan, Dushanbe, and Ashkhabad—1 ruble. In Rostov the price was 1 ruble, 07 kopecks, while in Nikolayevo it was 1 ruble, 10 kopecks.

Cucumber prices in the markets of the Volga region, Estonia, Azerbaijan, Belorussia, the Ukraine, as well as the Central and Northern regions declined by 11-28 percent, in the Northwestern region, the Urals, Latvia, Uzbekistan, Turkmenia, and Tajikistan they rose by 6-19 percent, while in Armenia and Kirghizia they went up by 21-45 percent.

**Tomatoes.** On an average throughout the country, this product cost 3 rubles, 62 kopecks. For a comparable group of cities, the price on them rose, in comparison with last year, in 80 cities, whereas it fell in 132 cities. It

remained unchanged in 48 cities. In Moscow fresh tomatoes cost an average of 4 rubles, 96 kopecks per kilogram. In Orenburg—5 rubles, in Irkutsk and Chita—7 rubles. The cheapest tomatoes were in Andizhan—60 kopecks, in Ashkhabad—1 ruble. In Leninakan they were 1 ruble, 50 kopecks, in Yerevan—2 rubles, while in Tbilisi, Odessa, Donetsk, and Krasnodar they were 2 rubles, 50 kopecks. In most of the country's regions prices ranged between 3 and 4 rubles.

**Cabbage.** This valuable, vitamin-rich product is also not cheap in our markets. In Moscow the price was 1 ruble, 62 kopecks, in Riga, Vladimir, Kazan, Irkutsk, and Tallinn—2 rubles. It is cheaper in Dushanbe, Frunze, Krasnodar, Odessa, and Chita.

Prices have remained high on **onions and garlic.** In Moscow, for example, garlic cost 5 rubles, 14 kopecks per kilogram. In Vladimir, Pskov, and Riga—6 rubles. A record price was registered in Petrozavodsk and Khabarovsk—10 rubles. Onions, of course, are somewhat cheaper, but here too there are some surprises. In Moscow they cost 2 rubles, 23 kopecks, while in Smolensk—8 kopecks. Onion prices in the markets of the Central Chernozem, Volga, Volga-Vyatka regions, as well as in Georgia, Belorussia, and Estonia, rose by 35-54 percent. In the Central and North Caucasus regions, as well as in Latvia, Moldavia, and the Ukraine, they went up by factors ranging from 1.8 to 2.1.

In comparison with June of last year, the prices on potatoes for the country as a whole rose by 23 percent, on fresh cucumbers prices fell by 80 percent, tomatoes—by 1 percent, onions—by 8 percent, and garlic—by 4 percent.

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Next Thursday we will be discussing prices on the products of livestock raising.

### Trade Officials Discuss Consumer Protection Rights

18270110 Moscow KOMMERCHESKIY VESTNIK  
in Russian No 10, May 89 pp 10-14

[Interview with Azerbaijan SSR Ministry of Trade officials by IZVESTIYA correspondent V. Romanov. Baku-Moscow, under the rubric "The Consumer's Rights": "Active Individuals and Consumers"]

[Text] *The problem of saturating the market with consumer goods is incredibly complex, and we are not so self-confident as to propose resolving it instantly. One thing can be effective, however, at least in the first stage. This is the establishment of unions, clubs and consumer societies.*

An association united by a single goal is capable of doing that which our legal and monitoring agencies have been unable to achieve over a period of many years. The draft Law on Product Quality and Protection of Consumer Rights was submitted for public discussion in February of

this year. It specifies and legally defines relations among participants in public production having to do with ensuring the quality of all goods and services, as well as with protecting the rights and interests of consumers.

These and other issues were the subject of a discussion held in the Azerbaijan SSR Ministry of Trade. Taking part in the discussion were N. Mamed-zade, first deputy ministry of trade; V. Guseynov, chief of the section for trade organization and rules; I. Mandel, chief of the legal and arbitration section; A. Kerimov, deputy chief of the Baku Trade Directorate; S. Khalilov, chief of the organizational section of the Baku TsUM [Central Department Store]; L. Klik, chief of the organizational section of Bakkulttorg [Organization for Trade in Cultural Goods for the City of Baku]; F. Agayev, chief of the organizational section of Bakkhoztorg [Specialized Organization for Trade in Household Goods for the AzSSR]; and V. Tretyakov, chief of the supply and demand section of Azerkultorg [Organization for Trade in Cultural Goods for the AzSSR]. The magazine's correspondent who recorded the discussion acted in this case as an advocate of the interests of the many millions of consumers.

[Mamed-zade] We were told in advance the purpose of our meeting. To begin the discussion we should at least briefly outline the range of subjects we shall be discussing. We shall first deal with trade, which is expected to provide maximum convenience for the consumers in the purchasing of goods and rule out the possibility of infringements of their rights. I would like to hear from those present how they regard our stores, what trade rules are unacceptable, what is hampering the work and how we can achieve a situation in which the customer leaves the store grateful both for the purchase and for the service. At the present time he most frequently leaves indifferent, disappointed or irritated. I would also like to hear your opinion specifically of Article 29 of the draft Law on Product Quality and Protection of Consumer Rights, which protects the consumer's rights when he purchases a product not conforming to the terms of the quality agreement. We also need to decide on the establishment of consumer societies, unions, clubs and associations in our republic (a sign does not mean anything in this case). The consumers justifiably want their own public agency to guard their lawful interests. These unions or associations have been established in many nations, including the socialist nations. And no one any longer doubts their effectiveness. This movement is just beginning to emerge in our nation, and it is supported at the very highest levels....

[V. Guseynov] One has to agree that our consumer fairly frequently finds himself without rights, particularly when purchasing large durable items: television sets, refrigerators, washing machines, furniture, vacuum cleaners, and so forth. He is deprived of his rights by the well-known Standard Regulations for Exchanging Manufactured Goods Purchased in the Retail Trade System of State and Cooperative Trade. These regulations were established by the USSR Ministry of Trade and the USSR Gosstandart [State Committee for Standards]

back in 1974. I believe that the know-how of qualified legal experts should be used for working out any regulations, instructions or other documents and that they should be coordinated with the USSR Ministry of Justice, that is we should eliminate the possibility of repeating past errors. Regulations should protect the consumer and not the department. People frequently speak poorly of the trade system. But is the trade system to blame for the poor quality of television sets and refrigerators? The problem of product quality has been, is, and will continue to be the single factor capable of reducing to naught all regulations and all the efforts of the trade system to correct the situation. And what about shortages? What can the trade system do in the situation of shortages? Even the most perfect organization cannot fill the shelves and make the clerks polite if there is nothing to sell.

[Correspondent] That is true. But we all know very well that it is in the trade system that artificial shortages are frequently created. And how does one explain the lines, if not by poor organization?! I would like to hear how you feel about the establishment of a consumer union or association.

[V. Guseynov] A consumer union could obviously resolve certain problems pertaining to the production and sale of quality goods. A great deal depends upon its organization, its administrative structure and management agencies, however. And upon its people, of course. Everything depends upon them. Article 26 of the draft law states that enterprises or citizens violating the consumer's right to a product meeting the quality specified in a purchase agreement bear liability under the law. The role assigned to the trade system is not clear in this case.

[Correspondent] Very well. Permit me to cite a few figures. A total of 13.5% of the cotton fabrics, around 15% of the silk fabrics, 18% of the sewn goods, 25 % of the hosiery items and 18% of the leather footwear were rejected or reduced in grade as a result of selective trade system inspections in 1987. And there is more. You well know that inexpensive everyday items such as soap, shoe polish, toothpaste, razor blades, cosmetics and many other products have disappeared from the store shelves of late. But there is even more. It is reported in the press that no more and no less than 200,000 tons of meat products are lost each year at enterprises of the USSR State Agroindustrial Complex due to a lack of modern storage facilities. A total of 700,000 tons of potatoes worth 228 million rubles rotted for that reason just during the first quarter of last year. Who is to blame? No one is to blame, because everyone is to blame. I believe that after this forced preface there is no need to demonstrate the need for establishing a consumer union. What would it consist of? It would be a volunteer, independent, self-managed public organization uniting citizens to protect their rights and interests as consumers of goods and services. The Law on Product Quality.... would play a role, of course.

[N. Mamed-zade] I still do not understand how a consumer union can monitor the production and quality of goods and the organization of trade.

[I. Mandel] If these unions are to be backed by ispolkoms [executive committees] or trade union organizations, then, strictly speaking, they cannot be called public organizations.

[Correspondent] I shall try merely to enumerate the main jobs of a consumer union, without commenting on them. It studies public opinion on the consumer features of goods and services, their prices and rates. It performs independent expert appraisal of goods and services. It studies the consumer markets and provides the consumers with objective information on the assortment and quality of goods. It provides legal, commodity research and other services for the consumers. It engages in editing and publishing activities and uses the mass media for publicizing the level of trade and consumption. It provides negative advertising of inferior goods.

[V. Guseynov] Generally speaking, is there such a need for these unions when there are more than 50 services presently available in the trade system? Go to any city and drop into any department store: Chernigov, Vinitsa, the most advanced enterprises....

[Correspondent] Excuse me for interrupting. Let us limit our discussion to Azerbaijan.

[V. Guseynov] I agree. We have the Moskva department store, which provides around 40 services for the consumer. Frankly speaking, however, the consumers could not care less about these services.

[Correspondent] Your services are merely a formality then?

[V. Guseynov] There is formalism, but I believe that it would be better to establish 5-10 main services in the trade system. This would be more beneficial.

[Correspondent] Just what services?

[V. Guseynov] Home deliveries of goods, for example. This service is for some reason provided by an outside organization. The customers ordinarily hold us accountable, and we are forced to fight with the Ministry of Motor Transport. I do not understand why the trade system is not given the opportunity to deliver large items itself.

[Correspondent] It seems to me that we have deviated somewhat from the main subject.

[V. Guseynov] In order to protect the consumer's rights at least with respect to the purchase of large durable items, I suggest establishing a procedure whereby he could exchange the item at a warranty shop.

[Correspondent] That is not yet feasible!

[V. Guseynov] In that case the manufacturing enterprise should reimburse us for all outlays resulting from the exchange.

[I. Mandel] As previously stated, the Standard Regulations for Exchanging Goods, which are still in effect, are in glaring conflict with the Constitution of the USSR and with the Fundamentals of Civil Law. The customer must have the right to exchange an inferior item which he has purchased, without hindrance, or to recover the money spent for it. In the existing situation, however, we are not in a position to begin abolishing regulations established "at the top."

[Correspondent] Paragraph 4 in Article 29 of the draft law specifies that regulations governing the exchange of goods purchased in the retail trade network are established by the Union republic councils of ministers. It is therefore within your power to establish the exchange procedure which you consider most acceptable.

[N. Mamed-zade] But what if the television set was purchased in the capital, in Moscow or Baku, for example, or has been hauled to some remote area—to Yevlakh, for example? And what if it is just a burned-out fuse? In short, it is impossible to foresee all circumstances, and, no matter how you define it, everything hinges upon the quality of the product and the degree to which the warranty period is realistic.

[A. Kerimov] Since we are talking about relieving the customer of any problems after he has acquired an item, we need to understand the following. The customer unquestionably has the right to demand reciprocal obligations from the trade organization where he paid for the product. This is fair. In my opinion, it is the store which should operate in close contact with both the warranty shops and the enterprises. Their forms of cooperation can vary greatly but must be based on economic accountability. And the consumer should not have to leave his home.

[L. Klik] We also need to bear in mind the fact that the trade system is forced to go where industry leads and is very frequently without rights, the same as the customer. It seems to me that the trade system should have exchange stocks which it could use to replace an inferior product for a good one at the customer's very first demand. It would not be a bad thing to specify this in the law.

[V. Guseynov] I believe that we need to revise that perfectly undistinguished document known as the Standard Regulations for Exchanging Goods. The enterprise should bear full liability for defective products, but it is for some reason born by the totally innocent customer, who pays for guaranteed repairs included in the cost of the product itself, and by the trade system. Furthermore,

Article 33, which specifies liability for damage caused by defective products, states in Paragraph 3 that "the seller of the product causing the damage and the manufacturer of the product other than the seller are causal agents of the damage." It seems absurd to me to dump the blame onto the seller if, for example, due to a hidden defect a color television set causes the purchaser's house to burn down. I believe that this paragraph must be revised and made more precise.

[F. Agayev] In order to increase the liability of the producer to the consumer, I propose including the following in the regulations: if defects are detected in a warranted product the purchaser should contact a warranty repair shop under contract to the manufacturer. The shop would be required to pick up the item itself and, when it is impossible to correct the problem within a 10-day period, to issue the consumer a voucher to recover the cost of the item or receive a new item from the store. The shop itself would ship the defective product to the manufacturing enterprise and, as the contractual agent of the manufacturer, the shop would be required to pay the consumer monetary compensation for the trouble caused him. I also believe that defects in the Fundamentals of Civil Law bring about all sorts of norm-setting resulting in infringements upon the consumer's rights.

[Correspondent] Something like that is contained in Paragraph 2 of Article 29.

[S. Khalilov] We must significantly reduce the number of commodity quality inspectors in trade organizations and shift this function completely onto the OTK [technical control sections] of the producers of the goods and onto the state acceptance system. The trade specialists should engage in the study of demand and the organization of normal services for the consumers, and not waste time spotting inferior work on the part of manufacturers. The latter, incidentally, exact the full cost of their goods from us when they are shipped out, and they consider their work to be completed with that. I believe that the regulations governing retail trade in nonfood items are totally out of conformity with the demands of today.

[Correspondent] But we have digressed somewhat again. I would still like to hear your opinion as trade specialists on the consumer union. What do you think it should be like?

[I. Mandel] There has long been a need for such a union or association. It absolutely must be a separate public organization dependent upon no one, with its own press agency, existing and operating with funds from the sales of the latter's output. The fine idea of negative advertising has been expressed here. Any enterprise producing defective products, which turns the consumer into a slave to his purchases and the seller, pardon the expression, into a scapegoat, could be rewarded with this kind of advertising.

[V. Tretyakov] A union is essential, but even more essential is a law which absolutely forbids any kind of

concealed trade, any kind of trade based on lists, any selling based on privilege. Everyone should be equal before such a law. Our society is divided: everything is available for one group, slightly less for another, and what is left is for all the rest.

[Correspondent] If such a law is passed, how is its implementation to be monitored?

[V. Tretyakov] Very simply. This is where the consumer union could go into action. I shall cite a simple example for you. As recently as yesterday I wanted to buy a kilogram of good apples. I am a citizen. People know me well, since I have worked in the trade system more than 30 years. The clerk told me she could not sell them to me. I asked her why. She said that they were for sale by coupon to Gosplan [State Planning Committee] workers. Plain and simple. If this kind of distribution of products is forbidden, however, if the consumer union intervenes and establishes social and legal equality, then we can talk about justice and about the observance of the Constitution of the USSR and the Fundamentals of Civil Law. The state itself frequently violates the law. Bulgarian cucumber pickles once cost around 40 kopecks. The price has now increased by almost 300/

.... Tell me, what kind of economic analysis is this based on? Under the Law on the Enterprise, imperfect in many ways, all of industry has taken this route. Confusion, extremely convenient for the underground economy, has developed in price-setting, and there has been a disappearance of inexpensive goods. The suit you are wearing is worth 70 rubles, but you paid 150 for it. Could a union change the situation?

[Correspondent] If the consumer union's press agency can publish 300,000 copies of its publication (for the republic as a whole), then each of 300,000 readers will know that if he reports pricing outrages, steps will be taken, since the union will have an experienced economic and legal service guarding his interests.

[Mamed-zade] The last paragraph in Point 2 of Article 27 seems fair to me. It states that consumer societies or unions must be independent—I stress, "independent"—public organizations which operate in accordance with the laws of the USSR and the Union republics. Since our nation does not yet have adequate experience in setting up such a union, we need to first acquire and study such experience in order not to commit follies. In the second place, we must precisely define the legal rights, duties and structure of the union and work out all of these things on the basis of each republic's specific features. We could then appeal to the public through the newspaper for the city or republic soviet of people's deputies or trade-union council. It makes sense to establish a consumer union first in one rayon—preferable an industrial rayon, so that its membership could include not just housewives and pensioners, but also progressive workers and deputies of the republic and the national Supreme Soviet and so that it could enlist the intelligentsia, popular actors, artists, writers and scholars, to whose

opinion the people listen, and everyone desiring to be a member in general. I feel that it is essential to establish a consumer union in our republic, where negative developments in the trade system and the service sector have had a very serious influence on public opinion. Both industry and the trade system are in one way or another protected by higher authorities, and the consumer is helpless before them. The union could take on the job of protecting their interests.

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### Strategies for Improving Market Conditions

18270112 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 24, Jun 89 pp 16-17

[Article by Yu. Yakovets, doctor of economic sciences: "The Market, Finances, and Inflation: A Choice of Alternatives"]

[Text] A great deal was said at the Congress of USSR People's Deputies about the danger of those negative tendencies which have revealed themselves, unexpectedly for many, in the market, as well as in the finance-credit, monetary, and pricing systems. They are also surging precipitously, like a rural stream in flood, sweeping along everything in its path. Just what are these tendencies?

#### A Crisis Situation

In the first place, the sharply exacerbated shortage of goods, which, like a chain reaction, is encompassing an increasingly wider range of goods and regions, is compelling us to make the transition to setting norms on trade—a veiled form of the ration-card system; it is also intensifying speculation.

In the second place, the disorder of the finance-credit system, the rapid increase of the budget deficit, as well as the state and foreign debt.

In the third place, the accelerating rise of prices (along with a worsening quality of many items), which is engendered by the wasteful, squandering conduct of business, the enormous excess of demand over supply, the monopolism of the goods producers, and the weakness of the state regulation of price dynamics.

And, finally, in the fourth place, the monetary system getting out of control, the rapid devaluation of paper, credit, investment, and account money. In other words, inflation, about which we have stubbornly remained silent for a long time, has suddenly turned out to be a threatening, freely growing reality.

In short, our economy is gravely ill. What are the socioeconomic consequences of this illness? And what lies ahead for us?

Today the differentiation of the population's real income is becoming more and more tangible: year after year the standard of living for millions of pensioners, students, and various employees who receive fixed incomes is

declining; and, at the same time, the stratum of "entrepreneurs" is growing; they have large incomes, which are not proportional to the actual results of their labor. The redistribution of income among enterprises, sectors, and regions has not only been maintained but is even increasing.

Disproportions in the circulation sphere are having a negative effect on production efficiency: enterprises and cooperatives see no sense in investing large sums to renovate production facilities, or to develop and incorporate fundamentally new equipment. Why is this so? Because, of course, this would initially cause a decline in profits, whereas the latter could be successfully increased by selling old or partially modernized products at the monopolistically high prices.

Inexpensive items are rapidly being "washed out" of the system. People are losing their faith in the stability of the finance-monetary system and are striving to convert their own accumulations of money into material goods as rapidly as possible, because the value of such goods is increasing with time. A kind of "rush demand" has arisen, which is increasing the tension in the market still more....

All this is leading to a detrimental undermining of the economic reform and of perestroika as a whole, a reduction of the credit confidence in it.

How can we achieve a turning-point in the country's economic development as soon as possible?

In my opinion, we need a long-term, effective strategy for overcoming the derangement of the circulation sphere. Unless we eliminate the root causes of the problem, any numerous and hasty measures for combating the obvious consequences, would be useless and even dangerous, inasmuch as they would create only illusions. In order to extricate ourselves from this crisis situation and restore the economy's health, we need to take radical measures. What kind specifically?

#### What Kind of Strategy Should We Choose?

The following two alternative paths are theoretically possible.

First—to apply extraordinary measures for freezing prices and incomes, to introduce a ration-card system in trade and the strictly funded distribution of material resources for enterprises, to set up rigid state monitoring controls on the enterprises' utilization of their own assets, monetary circulation, and savings in resources. Such measures, as experience has shown, can be temporarily effective, but....

Such a path would signify an abandonment of perestroika and the economic reform, a return to the administrative-bureaucratic system of managing the economy, a disillusionment and decline of initiative among the

labor collectives and employees, and, in the final analysis, an increase of the disproportions and the crisis tendencies

And so, we must choose the second path: to go forward rather than backward. We need to adopt a firm course toward the **economic** methods of overcoming the derangement of the circulation sphere, toward developing and gradually implementing a program which will ensure the restoration of health not only to finances but also to the economy as a whole.

What are the basic mileposts along this path?

The central strategic task consists of the **sharp and basic restructuring of the economy for the purpose of its social reorientation and saturation of the market**. The most profound cause of disproportions in the market must be sought in the **deformation of the structure of reproduction**, the hypertrophied growth of producer-goods production to the detriment of producing consumer goods and services.

The sources of this deformation were laid during the course of the radical revision of economic policy at the end of the 1920's, when, along with the abandonment of the NEP [New Economic Policy], priority was shifted to the development of the heavy and defense industries, whereas those sectors servicing to satisfy human needs were moved to the "back burner." And it was at that time that human beings themselves, for whose benefit and well-being all the revolutionary changes had taken place, was transformed into one of the means, into an "animated instrument" for attaining overly ambitious goals.

Of course, one could justify such a sharp change in priorities by the requirements of industrializing the country and of strengthening its defensive capabilities. But were these purposes really facilitated by cutting the total agricultural output by 18 percent during the period from 1929 to 1933? Were they really helped by reducing the production of the food industry? Was the country's economy strengthened by means of raising the level of retail prices during the 1929-1940 period by a factor of 6.4 and the enormous issuance of money? Did we really come to live better after losing millions of working hands (moreover, the most industrious and skilled ones) as a result of the "dekulakization" ["liquidation of independent peasants"] in the rural areas, as well as starvation and the monstrous Stalinist repressions?

The war intensified these disproportions; and during the postwar period, despite the efforts that were undertaken, they were maintained. The proportion of consumer goods within industrial output was reduced from 60.5 percent in 1928 to 39 percent in 1940, and from 27.5 percent in 1960 to 24.9 percent in 1987. The overwhelming portion of centralized capital investments and the most highly skilled personnel were channeled into the heavy and defense industries. It was to serve these

sectors that transportation, material-and-technical support, foreign trade, and the administrative sphere worked predominantly.

As a result of such a policy, theoretically reinforced by references to the "law" of the primary growth of producing producer goods, that a monstrous, anti-natural structure of reproduction evolved, whereby the means were transformed into an end in themselves. We can judge this by comparing certain data which characterize the economies of the USSR and the United States.

The production of national income in the USSR in 1986 amounted to 64 percent, industrial output—to 80 percent, and agricultural output—to 90 percent of the United States levels, but the per capita consumption of material goods and services—to only 30 percent (whereas in 1965 this figure was 42 percent). Moreover, with regard to per capita meat consumption we lag behind the United States by half, with regard to ownership of television sets—by a factor of 2.7, passenger automobiles—by a factor of more than 10, and in up-to-date household electronic items—by factors of hundreds and even thousands. Within the structure of the United States's national wealth the proportion of fixed producer capital [goods] amounts to 32 percent, and housing—to 24 percent, whereas in the USSR—these figures are 43.6 percent and 12 percent respectively.

And so, the shortage in the consumer market has evolved primarily because the proportion of consumer goods and paid services is too small within our country's production structure. But just how can we correct this situation?

#### Reserves for Saturating the Market

As soon as possible, we must, in the first place, adopt a course aimed at **absolutely reducing production and capital investments in the extractive and fuel-raw materials sectors**, in order to channel the freed-up resources into the production of consumer goods and services. This sounds like blasphemy: what is this, infringing upon the usual priorities? To be sure, but there is no other solution.

Look at the following figures. The USSR is ahead of the United States in the extraction of petroleum by 50 percent and in the extraction of natural gas—by 43 percent. Our coal mined amounts to 68 percent of the United States figure (computed as standard fuel), whereas our electric-power production is only 61 percent of the United States level. We extract iron ore from the earth by a factor of 7.1, smelt pig iron [cast iron] by a factor of 2.6, steel by a factor of 2, and produce cement by a factor of 1.7—all more than the United States, but our production of synthetic resins and plastics is less than that of the United States by a factor of 5.6. We produce mineral fertilizers by a factor of 1.8 and tractors by a factor of 6.4 times more than the United States, but our labor productivity in agriculture is less than 20 percent of the United States level.

The expenditure of the principal types of raw materials, fuel, other materials, and the products of the extractive industry per unit of the national income in the USSR is several times more than that in the United States (moreover, the gap has increased significantly during the last few decades). Therefore, the insufficiency of material resources is a myth! In reality, we are extracting and producing much more of them than necessary! But how are we expending them...?

It is high time that we made a decisive turn towards a resource-conserving type of production, towards replacing primary raw materials by secondary ones, and by reducing our exports of petroleum. We must also sharply increase the proportion of Group B in capital investments in industry (it now amounts to only 4.1 percent, as contrasted with 32.4 percent in Group A).

The second major reserve for saturating the market is **converting military production**. This process has already begun, and favorable foreign-policy prerequisites have already been created for it. But we must have a precise program for utilizing the scientific, production, and personnel potentials freed-up as a result of this conversion for a manifold increase of production of up-to-date household appliances, as well as highly efficient machinery and equipment for the light and food industries.

As the level of income rises, the population's demand will tend more and more toward the sphere of durable goods, particularly toward household appliances. During the last decade a real revolution has occurred in this field in the world's developed countries: the number of video-tape recorders and vide-cameras, household microwave ovens, personal computers, fax machines, etc. being produced has gone into the millions. In the United States during the five-year period from 1980 to 1984 the volume of personal-computer production increased by a factor of 20, and it reached 5 million units a year. During this same period the production of video-cassettes increased by a factor of 12.7 and in 1986 reached an absolute number of 65.4 million units. The production of video-tape recorders in Japan passed the 30-million mark.

The example of China is instructive: during the seven years from 1981 to 1987 the production of television sets there increased by a factor of 7.8, refrigerators—by a factor of 81.2, and cameras—by a factor of 6.2, while we, alas, are barely dragging along, just as before.... As a result, China, which used to lag greatly behind the USSR in producing the most important types of household appliances, have overcome the gap, and on certain items have even surpassed our country. Furthermore, the technical level of the Chinese household appliances is not based on our example (they are produced most frequently using Japanese licenses).

To our way of thinking, we must reorient the freed-up capacities of the defense sectors onto the large-scale production of new generations of household electronic

items—video equipment, personal computers, microwave ovens, etc. But, in this connection, we need to have a comprehensive approach and the cooperation of enterprises in various different sectors.

For example, the program for video equipment should provide not only for an increase in the production of video-tape recorders and video-tape players to as many as 2-3 million a year, but also the production of video-cameras and optical discs, the making, circulation, and rental organization of video-motion pictures, along with the recording of the masterpieces of our country's and foreign art. Preliminary calculations have shown that the sales volume of goods and services for this program alone could amount to 5-7 million rubles.

A third very important reserve for saturating the market is the **mass construction and arrangement of housing and dachas by means of the population's own funds**. At present the participation of citizens in providing the funds for housing construction is extremely insufficient: of the total number of 2,265,000 apartments built during 1987, the population by its own funds and/or with the help of credit built only 259,000 (11.4 percent), and by means of funds from home-building cooperatives—155,000 (6.8 percent). State subsidies for maintaining the housing stocks amounted to 10.4 billion rubles.

Transferring a considerable portion of material resources and construction capacities from industrial, land-reclamation, and military construction to erecting apartment houses and dachas, expanding the participation in this task of enterprises from all sectors and cooperatives, as well as outfitting apartments and dachas with sets of furniture and kitchen equipment on order will allow us to increase the sales of construction products and materials, together with goods and services to the population to 12-15 million rubles in the future.

A substantial contribution to saturating the market could be made by significantly **increasing the production of new generations of passenger automobiles, bicycles, motor-scooters, motorcycles, deltaplanes, etc.**, as well as spare parts for them, and building repair-and-service stations. In conjunction with expanding Soviet and foreign tourism, which is very poorly developed (in 1987 only 920,000 tourists went abroad, including 63,000 to the developed capitalist countries), this could provide additional coverage of effective demand by more than 10 billion rubles.

In order to saturate the domestic market, we must also **make greater use of foreign economic ties. Why not undertake large-scale plans providing for participation by the leading foreign firms in building, outfitting, and using enterprises for the production of household electronic items?**

From where, from what purse are we to get the [hard] currency for such plans? Anywhere except from increasing our exports of petroleum and other types of mineral raw materials—this would not be allowed because it would be exhausting the reserves of these

resources. Furthermore, the world prices on them have declined significantly. And so, in the field of foreign economic ties as well, it is time to turn our attention to human beings: to earn money on foreign tourism (in 1987 our country was visited by only 2.1 million foreign tourists, including slightly more than a million from the developed capitalist countries, whereas, for example, Spain was visited by 53 million, which brought in 17 billion dollars of income). We could also more extensively export copies of our own country's and world culture—video-cassettes, optical discs, holograms, sell abroad well-made albums, etc. And how much hard currency could be earned by rendering the maximum services to transit passengers from Japan and South Korea who ride, fly, or sail across the USSR and back...

In short, in order to overcome inflation and saturate the market, we must, above all, increase the supply of good-quality goods and services. There are possibilities for this; all we have to do is make more active use of them.

#### How Should We Restore Health to Finances?

When speaking about the necessity of saturating the consumer market, we must not forget that this cannot be accomplished if we fail to pay attention to an extremely acute problem—**restoring the health of this country's finance-credit and monetary system**. To solve it, to bring into a strict correlation the incomes of the population, enterprises, and cooperatives, on the one hand, and the quantity and quality of the output produced, on the other hand, is the most important task of the day.

Unearned, "empty" money, whose flow is not backed by any genuine goods or services, creates a false appearance of a growth of prosperity; and it leads to a devaluation of the ruble. In the final analysis, it weakens the incentives to achieve a greater labor productivity: why overstrain yourself if money is worth less and less and there is not much you can buy with it anyway? There is a devaluation not only of paper money, which we receive on payday, but also of non-cash money—accounts, investments, and credit.

World practice has shown that the most reliable method of regulating income is a **system of progressive taxation**. Without reducing the aspiration to increase income, the progressive tax, at the same time, allows us to sensibly distribute it, and without allowing an excessive enrichment of an individual employee or a collective. The advantage of this tax is that it is known ahead of time and is the same for everybody; it does not permit administrative interference in the taxpayer's financial affairs.

Nowadays a system of progressive taxation is already evolving for the population and for cooperatives. There is no doubt that it will also be extended to the state enterprises, after replacing the numerous and inefficient fiscal payments (payments to funds, deductions from profits, etc.). But, within all this, the most important thing is to find the optimum measure of progress which will, on the one hand, ensure that the

receives a significant proportion of the superprofits and superincomes, and, on the other hand, one which will not suffocate, prohibit, or destroy the roots of a sensible initiative: it would be stupid to kill a chicken which lays golden eggs! It is no less important to work out a precise and targeted system of tax deductions and exemptions.

Nowadays the following lever is again being restored for restricting the growth of the wage fund at state enterprises: **a norm of correlating the growth rate between labor productivity and wages**. How justified and effective is it?

In essence, it attempts to interrelate two incommensurate indicators. Because, after all, the overwhelming portion of wages are paid out for the production of producer goods which are not suitable for exchange with wages. Moreover, in many sectors past labor is also taken into account when determining labor productivity. For making a product less expensive, a collective is punished—the wage fund is reduced, whereas making it more expensive ("washing out" the cheap assortment) leads to an increase in profits. Therefore, the application of the normative correlation does not achieve its purpose and leads to undesirable consequences.

If we use a limiter (in addition to a progressive income tax or for a certain period until the latter has gathered force), it could become an index of consumer goods and services (in retail prices) per ruble of wages (including bonuses and other payments). This indicator, which is acceptable for any enterprise, region, or ministry, indirectly links monetary income with the sources used to cover it.

Such indicators will inevitably vary as to enterprises, sectors, and regions, but they have a mobilizing force, providing incentives to increase the production of goods and services. However, in creating them, we must solve a number of problems: how to define the correlation for the producers of end products and the suppliers of complete sets of items, semi-finished goods, and materials (and can we proceed herein from the proportion of the added value)? How can we weaken the motivation to make goods and services more expensive and strengthen the incentives to make such goods and services less expensive...?

Furthermore, in order to overcome inflation, it is not enough to merely redistribute monetary incomes received; we must reduce their size in a number of sectors for the sake of reducing the budget deficit and the state debt, both of which have reached scales which are dangerous for the country's entire financial system.

The Keynesian principle of **deficit financing**, which since the 1930's has been widely used abroad and which has been deemed unacceptable for a socialist economy, is now being widely used in practice. Even without the help of a printing press, one stroke of a pen can increase huge capital investments, unsecured by any material values, for "projects of the century," or military expenditures unbearable for the economy, expenditures issued without any reliable credit security. In the final analysis,

a significant portion of these unjustified expenditures go into wages, thus compelling the rate of money issuance to be stepped up.

Let me cite a few figures to confirm this. From 1970 through 1985 the utilized national income (in current prices) increased by 290 billion rubles (i.e., it doubled), whereas the working capital of enterprises grew by 414 million [sic] (i.e., it tripled, and the residuals of bank loans increased by 395 billion (an increase by a factor of 4.1). Revenues received by the state budget during that same period increased by 234 billion rubles (an increase by a factor of 2.5), while their ratio to the used national income went from 55 percent in 1970 to 74 percent in 1987. More than 40 percent of state capital investments are financed by means of the state budget and less than 5 percent—by means of bank credits. But even credit often (especially in agriculture) functions in the form of a subsidy: it is written off, or its deadline for payback without interest is postponed. The indebtedness of kolkhozes and sovkhoses on long-term loans by the end of 1987 amounted to 61 billion rubles (by a factor of 5.6 more than in 1970). The total indebtedness of agriculture (87 billion rubles) exceeds Mexico's foreign debt (if we peg rubles and dollars at the official rate of exchange).

We need truly draconian measures with regard to **reducing state expenditures and the budget**. Just what should they be?

Cutting the centrally financed capital investments by a factor of 2-3, further reducing military expenditures (which amount to 77.3 billion rubles in 1989), as the foreign conditions for this are being created, stopping the subsidization of a number of enterprises which are losing money, reducing subsidies for housing by means of selling some apartments to the population and fully reimbursing the state's outlays for above-norm space, further reducing expenditures for maintaining the administrative-management apparatus—these steps could serve a good medicine for the sick budget. Let's hope that the newly elected USSR Supreme Soviet will set up more rigid monitoring controls on the expenditure of budget funds.

**Credit policy** can also expect serious changes. We need to increase the cost-accounting responsibility of banks for justifying the granting of credits and their on-time return, to key more on crediting fundamentally new equipment and the retooling of production facilities, the development of the production of consumer goods and services, to the active participation of banks as interested members in national and international consortiums established for this purpose.

We must also moderate the growth rate of the **foreign debt**, rejecting projects which entail large outlays without hope of a quick return of hard currency, and the expansion of cooperation in those spheres which guarantee a quick return of credits and the accumulation of hard currency reserves.

### The "Achilles' Heel" of the Reform

The relations between goods and money, between demand and supply, are regulated by **prices**. It is primarily by the dynamics of prices that people judge the rate of inflation. With the aid of prices expenditures are reimbursed, and income is realized, also dependent upon prices are the mass of profits earned by enterprises and real income earned by the population. The accelerated rise of prices is becoming something like the "Achilles' Heel" of our economic reform. Assembled within it, like rays coming to a focus, are all the sociopolitical contradictions.

In our approach to solving the problem of prices, several mutually exclusive points of view are clearly delineated.

According to one view, we should significantly raise wholesale, purchasing, and retail prices so as thereby to create the conditions for the full cost accounting and self-financing of enterprises, to eliminate subsidies on the production of many types of items, and to compensate the losses of the population by means of raising their monetary incomes. According to another opinion, it follows that the unprofitability of many enterprises and the subsidization of many types of products are caused by the low level of production efficiency and by losses due to mismanagement; the assets for self-financing must be earned, while any compensation of the population's losses derived from raising prices cannot be complete and equitable for each family (because of differences in the consumption structure), nor will it reduce the gap between the mass money supply and its coverage by commodities. Such a point of view has merit. However, it is obvious that retaining a distorted system of prices in a "frozen" form has poor future prospects.

Some persons are demanding the complete elimination of administrative controls on prices and the unshackling of the mechanism of market-type price formation. They assume that only in this way can we ensure equilibrium in the market. Still others are calling for prices to be bridled by means of strengthening state controls of setting and changing them, as well as by curtailing the rights of enterprises and cooperatives in the field of price formation.

First of all, I would like to warn against exaggerating or absolutizing the role played by prices. They serve merely as a **mirror, an indicator** of the state of the economy and of its health; we need to treat the disease, rather than attempting to invent a thermometer which would show the arrangement and structure of all the temperatures! Furthermore, price is only one element (and far from the leading one) in the entire, integrated economic mechanism; efforts aimed at stabilizing and lowering prices will prove to be useless if the plan assignments (albeit even in the form of state orders) and the incentives linked with them impell collectives to make their products more expensive.

In order to overcome the inflationary price rise, we must eliminate its causes, rather than unsuccessfully struggling against its consequences. But how should we do this?

In the first place, **by means of restoring the profoundly violated equilibrium in the market.** Not by means of raising prices on goods and service to the level where they could only be purchased by those particular collectives and persons with very high incomes (although, with respect to certain products in extremely short supply, even this path is not to be excluded). We should rather, first of all, base our efforts on resource conservation, on sharply increasing deliveries to the market of goods and services which are in demand, also on the economic regulation of incomes, restoring health to the finance-credit and monetary systems, as we discussed above.

In the second place, **with the aid of decisive measures for overcoming monopolism, and for developing competition among the producers of goods and services.** This could be facilitated by anti-monopolistic legislation, by a deconcentration of production (including the breakup of certain gigantic enterprises and associations where feasible), and the main thing—ensuring a leading role for the consumer and his protection with the aid of economic and legal measures. (Of course, competition likewise has its shortcomings, but they are a lesser evil compared with the tendencies toward stagnation in equipment and the unjustified price rises on products which monopolism engenders.)

In the third place, we need to **review and reconsider** (and not just in our offices and studies, but out loud and in public!) **the foundations and principles of the upcoming price reform.** In my opinion, we will not get by without it—too many disproportions have already accumulated in the price system over the decades

However, we can hardly justify the intended, major rise of wholesale prices on the products of the fuel and raw-material sectors. Such a price rise would give these sectors the "green light" for further extensive development and would bring about a chain reaction of price rises in all links of the national economy, right up to retail prices and rates. Under the new conditions, price should not be a "Good Fairy" for the cost-accounting producer, reimbursing him for any of his expenditures and guaranteeing him a maximum profit. On the contrary, it should play a severe, strict, and, at times, even a harsh role, like that of the predatory "pike," which swims in the commercial sea in order to keep the managerial "crucian (carp)" from falling asleep.

While eliminating disproportions in prices, we also need to concern ourselves with reducing the chain reaction of price rises (the motive force of the inflationary spiral) to a minimum and strengthening the influence of prices on production efficiency, savings on resources, and assimilating fundamentally new equipment

In the fourth place, the problem cannot be reduced to one-time revisions of all types of prices. **We must introduce a flexible mechanism of price formation,** which

would take into account, in a timely manner, the changing conditions of the production and sales of goods and services; such a mechanism would make it unnecessary to have one-time, major price reforms. This plan would comprise the prospective practice of using contractual and temporary prices, a timely revision of specific price lists, and the utilization of parametric methods of price formation—on condition, of course, that there is a normalization of the situation in the market and a tangible limitation placed on monopolism.

But we must clearly understand that efforts to return to the natural [anarchic]-market type of price formation characteristic of capitalism during the last century are Utopian. Even in the developed capitalist countries the state conducts a finely gaged and flexible policy of influencing prices for the purpose of weakening their inflationary growth. This policy, as shown by the experience of the FRG, Japan, and the United States, yields its own results. We must look soberly at the state of affairs: to abandon state influence on the levels, correlations, and dynamics of prices would mean handing over the consumer entirely to the monopolistic producer, and further exciting the restive steed of inflation. The economic and social consequences of this would, obviously, be extremely lamentable....

The methods used by the state to influence the levels, correlations, and dynamics of prices constitute another matter. Such methods should be, primarily, not administrative, but rather economic, so that it would be disadvantageous to inflate prices and, on the contrary, advantageous to lower them. For this purpose, we must eliminate those gross [total] yardsticks—commodity output, etc.—which, as before, push enterprises in the direction of making their products more expensive.

An important element of the economic reform must be to develop an **economic mechanism for making products less expensive.** It should be based on singling out the differential income obtained from using more efficient equipment, resource conservation, and skillful management, so as to make it (the income) a source for expanding production, providing incentive to employees, and lowering prices for the sake of increasing sales to the maximum and obtaining greater total profits. At the same time, we must eliminate the "artificial feeding" of goods producers who are turning out poor-quality products with high expenditures and backward, obsolete technology.

\* \* \*

The approaches set forth here, possibly, contradict many of the theoretical dogmas which have been approved. Well now, we must obviously overcome such dogmas. And it is high time that we engaged in a more fundamental study of the market, the laws and mechanism of its functioning, as well as a thorough study of inflation, the development of methods for regulating incomes, etc. In short, the field for bold quests is a wide one. It is

important to know how to sow it in an intelligent and timely manner so as to be able to harvest an abundant crop.

## FOOD PROCESSING, DISTRIBUTION

### Roundtable Analyzes Food Shortage Problems

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[Roundtable discussion conducted by P. Astakhov: "A Tomato in the Black Hole of Discrepancies"]

[Text] An abundance of high quality products in fruit and vegetable stores is a rarity. According to estimates by specialists, we lose 25-30 percent of the crop harvested along the route from the fields to the stores.

How can this situation be corrected? Where is this "black hole" that swallows up human labor and the useful food products such as fruit and vegetables?

Scientists, teachers and graduates of the Soviet Trade Correspondence Institute attempted to provide answers to these questions during the course of a "roundtable" discussion organized by SOVETSKAYA TORGOVLYA. The following individuals participated in this discussion: head of the Department of Commodity Science for Food Products and Doctor of Technical Sciences M.A. Gabrielyants, commodity scientists and assistant professors M.A. Nikolayeva, L.F. Putintseva and O.A. Semin, 1st deputy chairman of Mosgoragroprom [Moscow Municipal agro-industrial committee] O.A. Virichev, and deputy director for storage of the Leningrad Rayon Fruit and Vegetable Association in Moscow M.N. Yelizarova.

### From the Fields

[M. Nikolayeva] It is recognized that the chief misfortunes with regard to supplying the population with fruit and vegetable products derive from the trade itself. But how, for example, can we deal with the fact that the agricultural farms are authorized to turn over their crops, 15-20 percent of which have already been damaged by agricultural pests, mechanical damage and so forth? Indeed all of this later is transformed into thousands of tons of waste scraps.

[L. Putintseva] Moreover, with the connivance of USSR Gosstandart [State Committee for Standards of the USSR Council of Ministers], a greater number of these "minor" defects are appearing from year to year—as a rule, each new standard is more liberal than the previous one. For example, the most recent example of rejects is the bursting of heads of cabbage—products which the trade has been forced to accept.

[M. Yelizarova] We were called upon to defend the interests of the consumers and yet nobody asked for the opinions of the trade specialists when the standards were being approved. Somehow, we were invited to examine

the long-term standards for fresh cucumbers and tomatoes. Once again, the majority of the new standards are bringing about a weakening in the requirements for quality. Naturally, I started to object. They simply showed me to the door. And the standard was approved by clearly uninterested persons—workers attached to Gosstandart and agroprom [agro-industrial committee].

[L. Putintseva] Unfortunately, even the present "liberal" standards are not being observed during the acceptance of products. It is being carried out by an inspectorate for the quality of agricultural products that is subordinate to this same agroprom. The Moscow vegetable growing farms, for example like very much and value highly the work of senior inspector I.S. Nikolskaya, who no sooner makes an appearance during acceptance operations than improvements are steadily noted in the documents covering the quality of the products grown. We attempt to prove just the opposite—and are accused of deliberately lowering quality as though we have an agreement with shady workers attached to the vegetable storehouse. It is useless to argue in such instances and it is unpleasant to have to offer justifications.

**First recommendation:** the trade must participate in the creation of the basic documents concerned with quality including the standards. If this is not done, the dictates of the producer will not be overcome. The acceptance of a crop must be carried out by non-departmental control organizations.

[M. Gabrielyants] Each autumn, specialists attached to our department carry out studies on products that have already been placed in storage. As a rule, the forecast is not a favorable one—fruit and vegetables must be stored the "curing" of which is impossible even with use being made of the most advanced storage methods.

[M. Nikolayeva] During the initial months of storage, a portion of the stored materials is destroyed by late blight and damp rot. Roughly 3-4 months later there is a new wave of diseases. They are all classified as latent developing diseases which occur at a time when the fruit, vegetables and potatoes appear to be in good condition externally. Moreover, many of these diseases are transmitted genetically—from seed to new seed. Many diseased vegetables appear as a result of crude violations of the technology employed in growing them.

[L. Putintseva] Typically, farms which employ obsolete methods and lack intensive technologies as a rule grow fruit and vegetable products which are of a higher quality than those grown by specialized vegetable growing farms. Is this a paradox? Not at all. For example, at the Moscow "Zaokskiy" Sovkhoz-Millionaire, selflessly working as the saying goes from sunrise to sunset, a deputy and decorated brigade leader by the name of Rudakova obtains high yields. But by what means? It is done by growing cabbage heads which are heavier by a factor of 2-3 than heads taken from other fields. Studies have shown that the increase in weight resulted from the use of mineral and nitrogen fertilizers, which brigade

leader Rudakova applied to the fields in excessive amounts. When such cabbage is placed in storage, 70 percent tend to decay within a period of 3-4 months.

[M. Nikolayeva] Last year, at the Kalinin "Gorodishche" Sovkhoz, the norms for applying fertilizer were reduced. Nevertheless, the Gorodishche cabbage began to decay only 1 month after being placed in storage. Studies have shown that the chief reason for this was the fact that they were grown on fields which were "overfed" with mineral fertilizer in past years.

The keeping quality of fruit and vegetable products is also adversely affected by the proximity of the fields to thermo-electric power stations, highways and so forth.

**Second recommendation:** When developing the USSR land cadastre, in which the quality and fertility of the soil in all regions of the country must be taken into account, the degree of their contamination by pesticides and mineral fertilizers must also be considered. The placement of the areas under crops is predicated upon these factors.

[M. Nikolayeva] Unfortunately, given today's orientation of agriculture towards gross results, it is difficult to grow a bio-chemical pure crop. Up until now, fruit and vegetable products have been a burden for agricultural farms. Because of the low prices involved and their capricious nature, they are considered to be troublesome and unprofitable crops. Thus use is made of fertilizer in order to obtain better gross results. At the same time, the agro-technical measures are quite often not developed and for all practical purposes a seed fund is lacking. For example, this same "Zaokskiy" Sovkhoz obtains vegetable seed not only from within our country but also from abroad. They all ripen during different periods and all have differing resistances to diseases. They are all harvested at the same time and stored in large heaps. How is it then possible to discuss healthy products?

**Third recommendation:** Finally, a special purpose state program for the development of fruit and vegetable production must be created.

#### Through a Base

[L. Putintseva] The "baton" of mismanagement and indifference with regard to the quality of the fruit and vegetable products is taken by the procurement specialists from the agricultural farms. And here we encounter a paradox—their lack of principle becomes stronger with the conversion over to cost accounting. Today the wages of the procurement specialists are directly dependent upon the quantities procured. Thus they "close" their eyes to the fact that the bags and wagons containing the products also contain dirt, rot and disease. There is no way that this can be justified, nor can the problem be solved by mere injunction.

[M. Gabrielyants] It is unfortunate that cost accounting has been imposed upon old, not distinctive and at times even upon organizational structures which are in conflict

with it. Just as in the past, responsibility for the storage of our fruit and vegetable products is for the most part borne not by the suppliers but rather by the consignees. In particular, this is the chief cause of the problems of the Moscow Fruit and Vegetable Trade, which imports approximately 65 percent of its products. Many storehouses are being built for it and still hundreds of thousands of tons of potatoes, fruit and vegetables are being lost.

**Fourth recommendation:** The responsibility for the preservation of fruit and vegetable products should be borne by those organizations which produce and procure them.

[O. Virichev] Without waiting for a special decision, we undertook to change the existing placement of storehouses—we built free of charge 19 fruit and vegetable storehouses, each with a 3,000-ton capacity, for turning over to Moscow agricultural farms.

Despite the fact that this cost us a considerable sum, I nevertheless believe that we acted correctly. For example, the "Paladinskiy" Sovkhoz, after having placed in storage approximately 23,000 tons of its products, sounded an alarm—its products had started to decay. Thus, although the price had been high, nevertheless the agricultural farms were displaying concern for quality.

[M. Gabrielyants] I believe that the farms themselves will not display any special enthusiasm over such future prospects. Who needs storehouses which do not allow one to dispose of his own products as he sees fit and particularly in the absence of the right to solve the chief question: to whom should they be sold?

[O. Virichev] Such a right must be granted to the suppliers! At the same time, as a practical worker I am aware that we are still not ready to reject administrative measures completely. For example, in 1988 the Bryansk potato production farms shipped only 30,000 tons to Moscow instead of the 130,000 tons called for. A similar situation prevails in the case of potatoes from Tula. And the products which were taken away from the capital were sent to other regions of the country at more expensive prices. Here we see on the one hand a rejection of administrative methods and, on the other, an inability to find the right economic alternative.

[M. Yelizarova] Today there are very few who are frightened by the economic sanctions which were developed during the period before cost accounting, sanctions which were applied in the manner of fines for deliveries not carried out. Complaints regarding quality were viewed as being even more terrible by the suppliers. Thus if crops were shipped to those who were hard to please, an exorbitant price would have to be paid. Thus there was enough to cover the fines and still some profit remained.

**Fifth recommendation:** The supplier must pay the consignee for the entire cost of the fruit and vegetables that were not delivered. For batches in which not more than

80 percent of the products were of standard quality, payment would be made in accordance with the prices for the actual sales. For the purpose of encouraging good suppliers, the consignee must have an incentive fund from which, as the need arose, he could pay out a raised purchase price.

[O. Virichev] Do you know who can solve the problem? The production-trade associations. However, it is believed that the relationships between partners in an association must be developed on a commercial basis. Indeed, even the purchases of fruit and vegetable products from agricultural farms are carried out today in accordance with the principles of the surplus-appropriation system: here is a trade partner for you, you can trade with him and take that which they make available. Such relationships are defined in the 51st Article of the Principles of USSR Civil Legislation which recognizes for the farms only contractual agreements which were introduced into operations back in the 1930's. And no other agreements for deliveries. Is this correct?

[M. Yelizarova] Such rules are being employed throughout the entire fruit and vegetable production line. When a vehicle loaded with products approaches me at a base, the bank immediately removes the money for it from our current account. It makes no difference if the products delivered are diseased—obviously only the consignee is disturbed.

In Hungary and Poland, a consignee for fruit and vegetable products pays for them after a period of 10-20 days have elapsed, that is, when it is possible during the sales process to determine the true quality of the product. In the GDR, payment is made for 80 percent of a batch of goods upon receipt, with the remainder being paid based upon the sale results.

[O. Semin] Workers attached to fruit and vegetable storehouses are limited in their selection of economic measures for exerting influence not only upon their "field-to-store" production line partners but also within the framework of their own organizations. For all practical purposes, no success was realized in attempting to develop interest among the storehouse personnel by paying them a percentage of the savings realized during the storage of beets, carrots, potatoes and cabbage.

[O. Virichev] On those farms where we nevertheless succeeded in introducing such a payment system, the losses declined by 2-3 percent and this was equivalent to a savings of 10,000-15,000 tons of fruit and vegetable products. It is difficult to say just what it was that displeased Minfin [Ministry of Finances], which refused to approve this payment system.

Unfortunately, the deafness of Minfin was not restricted to this example alone. For example, we attempted to form a wage fund for our wholesale dealers based not upon cost indicators but rather upon natural indicators—upon 100 tons of standard output. This normative

method eliminated the ill-fated border between "profitable" and "unprofitable" for fruit and vegetable bases and stores. Alas, USSR Minfin appears to be in no hurry to reject the cost principles for evaluating our operations.

**Sixth recommendation:** a need exists for merging the agricultural farms, procurement specialists and trade into production-trade associations, with their work being placed under the direct control of the customer—with payments carried out only on the basis of products sold.

[O. Virichev] We are often criticized quite fairly for the scantiness of the store assortments, while at the same time the bases are overstocked. Why is this?

The road leading to a store begins on a field. And our chief scourge is in all probability irregular deliveries. For example, last summer the Cheremushki Fruit and Vegetable Association received 28 freight cars filled with tomatoes on just one day—as much as was expected over a month's time. We sold them so long as the quality satisfied the customers. But indeed tomatoes do not last for very long before spoiling and rotting at a base. Thus they must be sold within a two-week period.

A solution for the delivery problem is capable of improving to a considerable degree the work of the entire fruit and vegetable production line. Proof of this—the positive example of the Astrakhan tomatoes which, because of their high quality, were sold almost instantly during the summer. And this became possible thanks to the Ministry of the River Fleet. For delivering batches of products to Moscow, only 10 percent or less of which were classified as non-standard, a captain was awarded a bonus by the ministry. As a result, we now view these captains as independent but vitally interested controllers of the quality of vegetables. Everybody profited and particularly the consumer.

[L. Putintseva] This example is a rarity. The transport workers, especially the railroad workers, are not responsible for the goods being transported and it moves very slowly, in some areas at a speed of 250 kilometers daily. They are responsible only for the integrity of the seals placed upon the freight cars. They are not concerned by how much rots or is stolen along the route.

**Seventh recommendation:** transport organizations engaged in the delivery of fruit and vegetable products are personally responsible for accepting them from the suppliers and delivering them to the consignees in accordance with the agreed upon quantities, locations, weights and quality.

#### To the Stores

[O. Virichev] Today our fruit and vegetable production line is operating in an inefficient manner owing to the fact that there is no consumer control over it—control over the ruble. All of the fruit and vegetable stores sell approximately the identical assortment of average quality goods and this deprives the customer of the possibility of selection. For their part, the stores also are

unable to select their suppliers. A store is not authorized to reject delivered goods. Poor quality goods can be returned, but this requires a great amount of time, energy and nerve and so it is only rarely that the store directors employ this measure.

We are striving to enliven the trade. By way of an experiment, we have authorized 25 stores to select their own supplier. If one is not satisfied with the products brought in from an assigned vegetable storehouse, purchases can be made from another supplier.

Naturally, such a step requires that the right of selection be extended to the fruit and vegetable associations—to purchase or not to purchase products from agricultural farms.

**Eighth recommendation:** a network of wholesale markets must be created on the territory of the consignee, particularly in Moscow. The products of all departments trading in the city—state trade, cooperation and agroprom [agro-industrial committee] could be sold and purchased at market free prices within this network.

[O. Virichev] We have already commenced work in this direction. Mosglavarkhitektura is selecting 100-300 hectare sites to be used for wholesale markets. In addition, a portion of our Moscow storehouses will become available after the rights and responsibilities for the preservation of the fruit and vegetable products have been turned over to the suppliers. These storehouses will also be used as the basis for creating wholesale markets capable of not only storing but also processing the goods.

[M. Gabrielyants] The conversion of the fruit and vegetable production line over to a commercial basis is impossible in the absence of a freeing up of the prices. Will the prices be raised? It is possible. But I do not think it will be to the point where the fruit and vegetables cease to be accessible. Rather, quite the opposite situation will develop. In addition, the quality of the fruit and vegetable products will improve.

[O. Virichev] By way of an experiment, in April of last year we authorized 25 specialized stores to vary their prices as much as 40 percent. And what do we see now? The quality of the goods being sold in them is immeasurably higher than that found in conventional stores. And most important—a selection is available and if the goods is not of the right quality, the price is lower. For good quality products the price is high. And there is still one gratifying aspect. Some of these stores, after having obtained independence, proposed that a portion of their earnings be turned over to the bases in the form of bonuses for good work. Earlier there was no such desire for joint work or mutual interest.

**Ninth recommendation:** the prices must be free and formed in accordance with the laws of the market. Only then will the agricultural farms, fruit and vegetable associations and stores be able to realize their as yet unused potential.

[O. Virichev] However, it would be wrong to assume that a freeing up of the prices will solve all of the problems. The very mechanism for this freeing up of prices in order to avoid negative aspects has yet to be developed.

[O. Semin] The appearance of such a new concept for our fruit and vegetable trade as biologically pure products is closely associated with the price problem. It is believed that the customers will readily pay a higher price for it. But we can more or less accurately determine the degree of contamination by nitrites and nitrates of the fruit and vegetables. Quick analyses have still not been developed for the 275 types of pesticides employed in our agriculture.

[M. Nikolayeva] This is a proper question. All is not well with regard to our method for defining the norms for nitrate content. First of all, it is difficult to understand why nitrates are tolerated in potatoes in one amount, in cabbage—in another, while beets have their own norm. They are established by USSR Minzdrav [Ministry of Health], which almost yearly expands the limits of that which is permissible.

**Tenth recommendation:** the maximum dosages for nitrate and pesticide content must be established not by USSR Minzdrav but rather by USSR Gosstandart [State Committee for Standards of the USSR Council of Ministers], by agreement with the organs of Soviet government and consumer societies that are presently being created in all regions of the country.

[O. Semin] For our fruit and vegetable production line, its effectiveness and for all of its elements, from the field to the stores, there is one overall and permanent problem—the level of professional training possessed by its workers. Today the country lacks practical workers who are capable of organizing and conducting quick analyses of fruit and vegetables for their nitrate content, individuals who are familiar with the storage regime for fruit and vegetables, who can correct them and who can use the instruments needed for this purpose. Such specialists are not being trained anywhere. One exception is a specialized course for commodity specialists and fruit and vegetable workers at MINKh [Moscow Institute of the National Economy imeni G.V. Plekhanov; yes, a trade technical school. I am personally convinced that if we fail to solve the problem of training skilled cadres of workers, we will end up with unskilled personnel who will be unable to meet the new requirements and who will begin to adapt these requirements for their own purposes. Unfortunately, many such examples can be found in our history and thus we must not underestimate the danger involved.

**Eleventh recommendation:** a course for the continuous instruction of specialists, individuals who will be capable of ensuring the operation of the fruit and vegetable production line, must be developed and introduced into operations.

**Lack of Sugar Despite Rationing Scored**

18270113b Moscow IZVESTIYA in Russian  
18 Jun 89 Morning Edition p 3

[Letter to USSR Minister of Trade K. Terekhu by V. Vyzhutovich, special IZVESTIYA correspondent: "Sugar By Certification"]

[Text] Dear Kondrat Zigmundovich!

It can be said that especially personal circumstances have forced me to turn to you, although it could be phrased differently. I would prefer the latter, since I am aware that I am by no means alone in this difficulty imposed upon me on 30 May by workers attached to Delicatessen No. 62 of the Dzerzhinskiy raypishchetorg [rayon municipal trade organization for trade in food products] in the city of Moscow.

In the morning I entered the delicatessen on Argunovskaya Street for the purpose of purchasing sugar on a now legal basis, that is, using coupons (here I will not comment upon the principle of ration "fairness," since I consider this to be a special subject). However, despite the richness and variety of the groceries available, I was unable to detect any sugar. "Where is the sugar?" I asked the cashier. "In the meat department," she replied to me. I admit to you that at first I was surprised and then subsequently I thought that quite possibly there was some logic in such a placement for this product: if there is no meat in the meat department, then why should there be any sugar. And I was not in error: there was no sugar. "None!" replied the salesperson N. Alisov without even glancing in my direction. Here I was surprised even more: if sugar is not being sold (or more exactly, not being made available for card distribution—for trade) even for coupons, then who needs these humiliating cards? I thereupon stated to N. Alisov that as a meat department salesman he in all probability has not fully mastered the art of issuing goods considered to be unusual for his strong and toil-hardened hands and thus at times he forgets even where these goods are located. But I mentioned that this was no great problem and thereafter we asked the store director to provide us with rapid assistance not only in finding the sugar but also, if possible, to explain the cause for its disappearance. "Is this an intelligent solution?" salesman N. Alisov asked me. "Well, let us proceed and we shall see!"

I am completely confident that salesman N. Alisov saw all of us and yet, Kondrat Zigmundovich, we saw the Alisov's and others and thus we were capable of ascertaining by whom, how and why a trade deficit is being created and for whom it is profitable.

The store director did not appear and so I met with his deputy Ye. Beatovaya. After I presented the well known certification, Yelena Vasilyevna's face lit up and she led me into the meat department where she told N. Alisov: "Kolya, issue sugar to our comrade."

After a moment had passed, a sullen loader suddenly appeared from out of the depths pushing a cart loaded with boxes into the hall. There were probably a dozen of them, each containing closely packed packages of granulated sugar. There were 200 kilograms and I do not wish to deceive you—I can vouch with accuracy only for those several packages which were issued to me.

I have several questions for you in this regard, Kondrat Zigmundovich. As one newspaper has reported, you also received coupons and thus you stood on the same line with us, rank and file customers. This was a very democratic gesture on your part and yet I wish to ask: In acquiring the sugar, did you also have to prove your identity along with the coupons or do they recognize you on sight in any delicatessen?

Are you aware that not only in Moscow but also in other cities there are unpaid bills—coupons for sugar which do not guarantee its procurement? For example, the residents of the city of Gorkiy, where 4,500 tons were imported in April and May (from a fine supply), drink tea using their coupons. A similar situation prevailed in Alma-Ata in early May.

I understand why there is no meat. I do not understand why there is no sugar. How can the U.S.A. produce 22 kilograms per capita and have enough, while we produce 31 and this is not enough for us. Thus this agonizing mystery must be unraveled, since, for the population there is only persuasion: about the home-brewers and "greedy" cooperators who bought up the country's entire supply of sugar. But it is not necessary—we are aware and we have heard.

Is it that you assume that the coupons were introduced because the sugar disappeared? But I have another version: the sugar disappeared because the coupons were introduced. In only one oblast of Kazakhstan—Taldy-Kurgan—sugar is not issued on the basis of cards but rather there is an on-going trade in it. Take as much as you wish and even pour it out yourself! Picture it yourself: there is no panic, no nightmare of lines. Sugar is available. It is all here!

A delicate question, Kondrat Zigmundovich: Who is profiting from these severe pieces of paper? Who is rising and who is falling? And if the food trade stores in this instance are no longer trading or issuing, then don't you think it is possible, in addition to coupons for sugar, to introduce coupons for coupons?

And finally, a most important aspect. Who is guilty with regard to this shameful shortage of sugar (salt, matches, soap and soap powder)—is it perestroika, as some people are persistently suggesting to us, or is it definite persons?

With the exception of these question, I have nothing further to say to you Kondrat Zigmundovich. No complaints. I only wish to procure sugar once a month—without having to identify myself and without a scandal.

I still cannot do this without coupons. Respectfully, V. Vyzhutovich (special correspondent of IZVESTIYA).

## GOODS PRODUCTION, DISTRIBUTION

### Financial Losses in Light Industry Manufacture Noted

18270111 Moscow *EKONOMICHESKAYA GAZETA in Russian* No 24, Jun 89 p 20

[Article by Ye. Kolezev, correspondent for the newspaper URALSKIY RABOCHIIY: "The More It Produced, The More Losses It Suffered: Such Is the Paradoxical Situation Frequently Encountered by Enterprises Engaged in Producing New Types of Consumer Goods. How Can This Situation Be Changed?"]

[Text] About 15 years ago I bought a washing machine. After work I dropped in to a near-by appliance store and spent a long time making my selection. Should I choose the new automatic machine which had just come on the market? It was quite expensive, and it was not known how this new item would "behave." Should I purchase the usual "rounder," with its manually operated wringer? That was all right, but it was very noisy. And here was the relatively inexpensive, compact "Sibir," with a spinner [centrifuge-type wringer], selection of operating cycle, and timers—just what I needed!

Today's young newly-weds, who have just settled down to begin housekeeping and accumulate some goods and chattels, will probably read these lines as some kind of fairy tale from never-never land. Where are they, these desired washing machines—whether automatic or the simplest kind? Here in our Sverdlovsk Oblast they are sold, as a rule, in accordance with registered lists, to war veterans and leading production workers.

When there were no goods, this was understandable, albeit annoying. But there were washing machines in abundance. The following legitimate question arises: why did they vanish?

"The very early 1970's were marked by a 'crisis of over-production,'" says N. Kaliberda, consultant to the CPSU Sverdlovsk Obkom. "Following the suggestion made by the trade organizations, several of this oblast's enterprises, who had been working 'to stockpile items,' took washing machines out of production. They had turned out to be in surplus supply on the domestic market, whereas their path to the foreign market was closed to them because of their unsatisfactory consumer features. For a certain length of time they got by on their warehouse reserves, but then there occurred a marked and clear shortage."

Our consumer market has long been characterized by rare, sharp "peaks" of surpluses and wide abysses of shortages. A few more lines of reminiscences. At almost the same time as I bought the washing machine I also purchased a sewing machine, and without standing in line at all. In trying to get a refrigerator, however, I wore

out more than one pair of shoes. But refrigerators did begin to appear in the stores at approximately the time when washing machines and sewing machines vanished.

One of the principal causes of such upsurges and declines is seen by many economists in the fact that, despite all the economic planning, nobody is seriously engaged in thoroughly studying the future, prospective demand for and the marketing of goods. What is it which generates excitement among the enterprises' marketing specialists? At best it is the following question: where will they dispose of their products tomorrow? They can only dream about studying consumer demand prior to the beginning of design developments for any particular item, not to mention separate breakdowns of customers by social and age groups. And the officials of undeveloped industries are also to blame for the empty shelves in the stores. Trade will accept anything which is shipped to it without even looking at it. And the "unspoiled" customer will get in line at any sales counter where something new has appeared.

In order to fill the market with sufficient everyday items and household appliances, their production must be switched over to by the high-capacity enterprises of the defense and other ministries which have primarily been turning out products for production-engineering purposes. And just how are matters proceeding nowadays at such enterprises? In my opinion, the story of the production of the "Iset" washing machine in Sverdlovsk may help us to look anew at the problem of producing TNP [consumer goods].

A year and a half ago the inhabitants of Sverdlovsk Oblast were happy to learn that a new item would be appearing soon. The Sverdlovskpribor Plant was planning to produce a new, semi-automatic washing machine to be known as the "Iset," similar to the popular "Evrika." But month after month went by, and the new machine did not appear in the stores.

"Nor will it appear soon," gloomily predicted A. Sedunin, the plant's chief engineer. "This year they expect 10,000 machines from us, but we will do well to produce even a test lot."

Until recently this plant was under the jurisdiction of the USSR Ministry of Machine Building for the Light and Food Industries. After the ministry was eliminated, this enterprise was merged with the Machine-Building Plant imeni M.I. Kalinin Production Association. It would seem that nothing could be better? Since 1972 this association has been seriously engaged in turning out consumer goods and has increased their production from five-year plan to five-year plan by a factor of 2-2.5. Next year the plant will turn out 37 million rubles worth of consumer items and, together with Sverdmashpribor—68 million rubles worth.

But the items produced by the Plant imeni Kalinin are specific—household lighting appliances and furniture. Many items are turned out over a period of several years; some of them have not been taken out of production for

several five-year plans. And so the technology is adjusted, and the needs for new outfitting are minimal.

"But in order to produce a washing machine which should be competitive on the world market, at least as to reliability, we need 127 new dies and molds," A. Sedunin continued. "They can be manufactured only at a specialized enterprise. We now have only one set (and even that is not fully complete) of outfitting. To begin serial production of the 'Iset' with this set is an adventure. If any one die goes out of operation, the entire flow of the line comes to a halt for an indefinite amount of time."

The Ministry of Machine Building for the Light and Food Industry had the following structural strata: 5 planning institutes for developing new products and 12 specialized plants for manufacturing the engineering equipment. At present Sverdmashpribor has "fallen out" of the sectorial ties and is having trouble entering into the new system. To be sure, the chief engineer returned from his latest business trip to Moscow with a filled-in requisition form for the manufacture of 30 models of rigging equipment at plants under the jurisdiction of the Ministry of the Aviation Industry, but as to when it will be manufactured...

"Our own capacities are overloaded, and our workshops could scarcely cope with a specific order from Sverdmashpribor," says V. Timofeyev, the association's chief designer of consumer goods. "Specialization and cooperation, which could be assigned in the given situation, is still in the initial stage here. Therefore, each plant is compelled to engage in a kind of 'barter-type economy.'"

The customer expects and the oblast's leading officials are confident that the "Iset" will soon make its appearance in the stores. But the manufacturers themselves do not share this optimism for one reason alone. At a certain time a retooling of the enterprise took place—it was right before the "Iset" was to be turned out. The main building for the new production facility is ready. But in the plastics and nonferrous-metal casting shops they have not installed the intake and exhaust fans. These operations would not be too complicated to speed up, but, according to up-to-date legal requirements, that portion of the shops is permitted to operate no closer than 300 meters from the residential districts. And it is only a stone's throw from the Sverdmashpribor to some houses.

The chief plant engineer talked about the complexity involved with producing the new machine without any particular excitement. And he explained his calmness in very simple terms. Despite all the profuse talk at the enterprises about the high priority of consumer goods, within the sectors they are still considered items of second-priority importance, just as before.

Any plant which turns out lathes or drilling machines, for example nowadays ratchets up the prices on its products to a level whereby the plant is allowed to raise the profitability of its production to 30 percent and higher. Otherwise, under the conditions of self-financing

it would go under. The customers do not object because they know that they too will get their own money back from those to whom the products of the lathes and drilling machines are sold. One department extracts money from another—this process takes place with virtually no ill effects.

But here now is the last link in the chain—the plant, which turns out items for economic and cultural purposes. It can obtain "compensation" solely from the pocket of the customer. But it is precisely here that the control is most strict: Take a look at the price list. It does provide, as a rule, for a profitability of 15 percent on consumer goods. When Sverdmashpribor takes into account the outlays for the more expensive machine tools and raw materials, it is left, in the best scenario, with a five to seven percent profitability, and often—just with losses. Last year such losses for the plant amounted to 1.5 million rubles.

Long before production was begun on the "Iset," economists computed the following: each new washing machine coming off the conveyor belt would "present" the plant with a "gift" of 16.5 rubles in losses. Multiply this sum by 70,000 machines—the annual program of new production—and you would get a figure of well over a million. It turns out as follows: the earlier you launch a new series, the sooner you multiply your losses; the more fully you satisfy the consumer demand, the more you lose. In such a situation is there any motivation to strive to one's utmost in order to increase the production of consumer goods?

To a large extent, the situation is typical. For this reason, in my opinion, the output of many items is being artificially held back. In the workshops of unsocialized enterprises consumer goods are frequently regarded as an inevitable evil. And they are produced only in order to persuade the management not to insist on them at other levels. So long as consumer goods occupy only 5-7 percent of the total production volume, they are put up with, and the losses are hidden in the income gained from selling the principal product. But if the production of consumer goods increases, invisible "brakes" are applied.

The staff members of the plant imeni Kalinin's consumer-goods division were compelled to appeal to the association's general director, A. Tizyakov, as well as to the partkom secretary and USSR People's Deputy A. Volkov, from the pages of a large-circulation newspaper in the form of an open letter. The plant virtually ceased turning out new items, although the division is developing them, having obtained the patent. There is a shortage of production areas, equipment, and sets of units. But the main thing is that attention is not being paid to consumer goods by the plant's management and services. Personnel problems are not being solved, and the salaries of staff members are lower than they are in the adjacent divisions.

But could we set things up in such a way that the production specialist takes to producing consumer goods just as willingly as he does an order from the military department? It can and must be done, the specialists consider. We need to grant financial privileges to those plants which are turning out consumer goods. In what way? To talk about state subsidies under conditions of a budget deficit would, of course, be inappropriate. Increase the retail prices? But this is a boomerang which would strike the person launching it: because, after all, we are all still consumers.

However, there is still one variant: to reduce or even abolish altogether the payments made by such enterprises to the higher-ranking department—and even to the state budget. Let's be realists. It would be naive to suppose that a collective, even if it were three times as conscientious, would strive to increase the production of new goods which would multiply their losses. Full cost accounting will not require such altruism. The one and a half years of hitches and hesitation in producing the "Iset" once again confirms what we have said above. They would be further delays in developing this new items at the plant if it were not for an experiment which the ministry has ventured to embark upon.

There they have heeded the requests of Sverdmashpribor's management. Beginning in 1989, the Ministry freed the plant from the obligation to make any payments and has taken upon itself the burden of the losses. To be sure, people say that this generosity was mandatory—after all, what kind of "percent" can be expected from a million and a half in losses?

But the ministry went even further, by allocating to the plant a subsidy amounting to 1.2 million rubles. A. Yegorov, chief of the plant's planning and economic division, considers that this money is fully sufficient to end the year with a profit and to obtain the possibility for further development of production.

One can see even now where this "donated" money has gone.

"A few days ago we sent our own specialist to a neighboring oblast in order to look for some manufacturing rigging, even if at contractual prices. Now we can allow ourselves to do that," says A. Sedunin. "We have established ties with an institute, and we are revamping the plan for the plastics and nonferrous metal casting so as to make their use ecological safe. That is why I am hoping that we will still be able to produce the test lot before the end of the year. And the economic consequences of serial production no longer frighten us so much."

But are we not losing a great deal by today shifting to the ministry a portion of the financial concerns of a plant which has turned out to be in an unprofitable situation? Money? The money will be returned to the budget with joy by the customers, who will exchange their savings for this item in short supply. Moreover, the enterprise will begin to exhibit an interested motivation in engaging to produce newer and newer consumer goods—now that

this has turned out to be profitable! Production will increase; now we will need to fight for the customer, i.e., to enhance the quality of the items involved, and to reduce the production costs. Then, perhaps, even the present-day customer will be able to make a selection, and not just take the first thing which he encounters.

## HOUSING, PERSONAL SERVICES

### Separate Family Housing By Year 2000 Questioned

18270108 Moscow *SOTSIALISTICHESKAYA  
INDUSTRIYA* in Russian 13 Jun 89 p 2

[Article by N. Kalinina and G. Ronkin, workers at the Institute of Economics and Forecasting of Scientific-Technical Progress of the USSR Academy of Sciences and candidates of economic sciences, Moscow: "Price of a Free Apartment"]

[Text] In the not-too-distant year 2000, each Soviet family must live in a separate apartment or home. Towards this end, up to 900 million square meters of housing space must be built during the next five-year plan and during the 14th—1 billion square meters, compared to the 650 million planned for this current five-year period. After citing these figures in a report delivered before the USSR Congress of People's Deputies, M.S. Gorbachev shared his own observations: in their discussions with the chief of state, the people placed the housing problem even ahead of the food problem.

Is there any guarantee that, after having carried out its grandiose construction program, the state will pay its bill to the people? Or that during the mentioned period we will achieve the established goal and finally arrest the "apartment question" prior to the beginning of the approaching century?

Sociological studies indicate that the housing requirements are increasing more rapidly than those for other types of consumer blessings, including food products, consumer goods and domestic services. Thus the so-called "rational norms" for housing space, advanced as a type of reference point for the state's housing policies, actually have nothing in common with satisfying the real requirements of the population. Today there is an average of 15.5 square meters of overall space for every inhabitant of our country. But nobody can cite the basis for our belief that the 19 meters embodied in the calculations and plans will be fully adequate 10 years from now.

Official statistical data convinces us that a simple mechanical increase in metric area does not provide an adequate improvement in the housing situation on the whole. Last year, 2.2 million apartments representing an overall area of 129.5 million square meters were built using all available sources for financing. Eleven million

people held house-warmings. However, despite expectations, the line of people awaiting apartments did not become shorter. To the contrary, it increased from 13.6 to 14 million families.

An explanation for this phenomenon can be found if one takes into account the fact that a normative evaluation of the requirements is valid only for a very brief period of time—for a family of a particular type and for a particular stage in its development. Any changes in a family situation (and they are inevitable and unpredictable) can overturn the original calculations. We continually strive unsuccessfully to overtake a departing train, while determining from on high how much housing and the housing quality needed for an abstract mean-statistical per capita of the population.

For many years and decades, the housing problem has remained on the agenda of the highest party and state organs. But today more than one fourth of the municipal population of the USSR has housing space which even falls short of the miserly sanitary norm. A large portion of those living in rural areas and a considerable number of municipal residents lack water lines in their homes and use cold toilets. Millions of people live in municipal facilities the likes of which are not to be found in developed countries. They live in dormitories, rent rooms or small areas in the private sector, or they huddle together in decrepit buildings scheduled for demolition.

An analysis of the peculiarities of previous stages in solving the housing problem in our country is of considerable interest. Each of them had their own priority tasks, with the average figures for the annual placing in operation of housing units and architectural and planning solutions being equal. Only the principle of centralized distribution of free state housing, considered to be one of the chief advantages of socialism, remained unchanged.

As a result of this approach, not only did a list of those awaiting apartments develop that was unprecedented in peacetime, but in addition we encountered a need for employing new approaches. This included the elimination of the post-war barracks, modernization of the 5-story Krushchev buildings and improving the completeness of the construction projects.

The only exception was the brief period of NEP [New Economic Policy (1921-1936)], which did not leave behind any materialized negative consequences. It was precisely during this period that the state undertook a program for stimulating the activity of the population in every possible way in the interest of improving its housing conditions. Private ownership of housing was restored, the creation of cooperatives and the construction and leasing of housing were authorized and credit and other types of assistance for private builders under favorable conditions made an appearance. In short, this was the only instance during the Soviet years that the state housing policies conformed not to the notions of the officials but rather to the true requirements of the

population. Our own historical experience provides the basis for stating that within the system of customary approaches and mechanisms for distribution, the literal sequence of the slogan "an apartment for each family" will create new difficulties and complications. It will lead to the construction of a large number of cheap, obsolete and transient apartments and it will slow down the installation of civic improvements in the older portion of the housing fund. These are conditions which we are already observing. Millions of fortunate new settlers are not easing the situation for other millions of families which have a "rational norm" which was established on high and which includes yard "conveniences."

USSR Gosplan estimates that by the year 2000 a requirement will exist for building 36 million new apartments. Can we believe this figure if it does not take into account for example the possibility of dividing up complex families who prefer to live separately? But this does not include 11.5 million individuals who live in dormitory type facilities or who served in the army or other categories of citizens who temporarily are living "apart from their families."

We must be realists and frankly recognize that if each adult citizen who desires to live separately is considered a family and an apartment (home) is viewed as a housing cell which meets the modern standards, then we will be unable to furnish such families with housing by the year 2000.

But on the other hand we can accelerate noticeably movement towards this ideal by carrying out a radical reform in such a dangerously explosive area as housing relationships, which has rejected the many years of experience in the free issuing of state housing and which is now making it possible for each family to purchase an apartment to suit its taste. Only the direct inclusion of the population itself in the housing regulation process will aid in eliminating the endless reproduction of the housing list wherein, for example, a young family occupying a 1-room apartment must again be added to the list of those needing apartments following the birth of one or two children. Certain families and those who live alone, who presently are deprived of the right of obtaining a larger area if they already have the legal 5-7 meters per individual, will be able to improve their situation.

The free sale of apartments is solving the problem of housing excesses, which the use of strict administrative measures and raised rental payments in excess of the established norm have not been able to do. The people will pay two or three times more than they should, rejecting other housing offers in the process, since this is the only method which will ensure a decent existence for their children and grandchildren. But there are very few who would hold out for additional meters of space if they knew that, having accumulated the well known amount, they could easily be separated from their adult daughter or son.

The possibility of various types of abuses arising, those which flourish under the conditions imposed by a free distribution of apartments, disappears with the introduction of a housing market. Experience indicates that when "a desire is present, but action is prohibited," there will always be people who will be capable of overcoming any prohibition. And only the appearance of legal channels for purchasing housing will eliminate the need for searching for roundabout ways and loopholes.

The reform in housing relationships is capable of playing a considerable role in overcoming the crisis in the economy and in eliminating the budgetary deficit. The opportunity to purchase apartments is becoming an effective medicine for countering social parasitism, it is raising sharply the stimulating value of earnings and it will promote growth in labor productivity. The purchasing power of the ruble will increase and the great and delayed demand will cease exerting pressure on the consumer market. The state treasury will obtain a stable and powerful source for additional financial means for carrying out the housing and other urgent social programs, all of which were discussed by the people's deputies during the Congress.

And what will the situation be for those who are unable to carry out such expensive purchases? How will the interests of pensioners, youth and other low-income layers of the population be taken into account? Will we not be depriving them of their last hope? After having conquered social parasitism, will there not be a risk of aggravating social tension?

There is no basis for such fears if we undertake the work in an intelligent manner. We must not view the housing market as a means for abolishing social guarantees, but rather as a means for supplementing them. A guaranteed "housing standard" must be provided free of charge. The principal difference lies in the fact that the state now appears not in the usual role of a father-benefactor but rather as an equal partner.

Specifically, it is our opinion that the market mechanism should appear as follows. In the purchase of an apartment for private ownership, the state reimburses a family for the cost of the metric space within the limits of the social minimum. And if later this area becomes too small, the apartment can again be sold to the state at a firm price (less the value of the guarantee) and a new one purchased.

A potential owner of a dwelling is not obligated to have a large amount available in savings. Favorable bank credit spread out over an extended period or a free grant by an enterprise where the members of a family work—these and other types of assistance for those in need have long been employed successfully by many countries.

It can be stated in advance that initially the state plan for housing will be unable to satisfy all those in need. The market fund will consist only of above-plan dwellings, since those planned will hardly be sufficient for those 14 million families waiting in line. We view the solution as

opening up the road for construction cooperatives, independent cost accounting brigades, sectors created attached to the executive committees of local soviets, state enterprises and social organizations and lease collectives for the production of construction materials.

The extensive development of alternative forms in housing construction and the conversion over to the market mechanism for distribution will initially make it possible to exceed the limits called for in the Gosplan program. According to our computations, during the period remaining before the year 2000 it will be possible to place more than 3,260,000,000 square meters of housing space in operation instead of the 2,124,000,000 planned. The average amount of overall space available per individual will be higher by almost 4 square meters (from 19.1 to 12) and additionally more than 7 million apartments will be built, with their average area being increased from 63.8 to 80.7 square meters. As a rule, the settlement will take place in accordance with the formula "one individual—one room."

Experience indicates that the higher the degree of centralized housing control and the greater the prohibitions and restrictions, the fewer will be the resources attracted into this sphere, the worse they will be utilized, the greater will be the various disruptions and abuses and the greater will be the conflicts of interests between the producers and consumers. The only possible method for overcoming these conflicts lies in the establishment of clear limits in the area of free state housing and preserving each family with the right of free selection—the conditions under which they will live and how much they must pay for them.

## PERSONAL INCOME, SAVINGS

### Changes Recommended for Draft Tax Law

18280145 Moscow SELSKAYA ZHIZN in Russian  
13 Jun 89 p 3

[Article by I. Yefremov, Moscow: "The More Rich Each One of Us Is..."]

[Text] There is not one individual in any country who derives pleasures from paying taxes. There is a stern requirement and citizens are forced to sacrifice a portion of their personal income in order to support the vital activities of their state, while certainly striving at the same time to limit the appetite of the state budget. For their part, governments have always displayed enviable ingenuity in searching for and finding the funds needed for covering their expenditures. There are various types of taxes: proportional and progressive, direct and indirect, turnover and property taxes, taxes on bachelors and those with small families, agricultural, land, cooperative and other taxes.

Our present tables for computing taxes for incomes up to 300 rubles contain 13,000 figures. The introduction of a complicated progression in the tax rates, as proposed in the draft law under discussion, will complicate even

more the computations and the understanding by citizens of the mechanism for calculating the tax amounts. However, this is not the chief difficulty. Even more difficult in my opinion is the need for explaining the obvious inequality of citizens before the state budget as embodied in the new system of taxation. This is not only a question of social fairness, but in addition it involves the question of the economic and stimulating force of the tax system. Intelligent taxation encourages an individual to work more and to earn more, whereas a less than intelligent tax system makes such a desire senseless.

For many years we have followed an indisputable dogma: the greater the amount of money that accumulates in the state budget, the richer the state and the richer the state, the greater the well-being of its citizens. Today we are convinced that this logic is by no means beyond reproach. By accumulating vast amounts in its safes, the state, it turns out, is capable of spending large amounts in an irrational manner and in a manner that none of us would emulate. I will not mention the doubtful importance of the "construction projects" of the century, the unprofitable subsidies or the cost of immobilized equipment—much has already been stated in this regard. In taking note of all this, we are quite justified in questioning whether or not Minfin [Ministry of Finances] possesses a better knowledge as to how to make us prosperous. And perhaps the formula cited at the beginning of this paragraph should be read in reverse: the richer each individual citizen, the richer the state.

Unfortunately, the new view of things is not reflected in the proposed taxation system. Moreover, it can be stated that the progressive tax scale is directed towards regulating the income of citizens and "freezing" them at a definite, albeit an adequately high according to present concepts, level. This does not appear to me to be a forward step compared to that which we already have. Concern for ensuring that more income is distributed through the state budget remains the chief concern of the authors of the draft law—and this is its principal shortcoming.

Let us ponder this matter: generally speaking, is progression fair in taxation? Is it right for an individual who earns more and who works or thinks better, and hence produces more benefit for society, to be subjected to greater tax pressure? Should more money be collected from him than from others?

I am of the impression that people who define the financial policies of the state at no time wish to understand that the nation's wealth is created primarily by production and not through the distribution of material blessings. And the best incentive for raising productivity is the right of each individual to enjoy the results of his labor.

Repeated increases in productivity are impossible in the absence of corresponding repeated increases in earnings. And we need precisely just such improvements. Indeed, it is known that labor productivity in our agriculture, for example, is lower by a factor of 10 than that in the U.S.A. A very strong incentive is needed in order to realize a

tenfold increase. A steep progression in tax rates for this purpose is not suitable and appears as a relapse in equalization. In such a case, a prompt leaseholder or enterprising cooperator will be forced to deduct 10 times more in favor of the state than that obtained by virtue of the sweat of an hourly worker. Yes, the income of a leaseholder will nevertheless be higher, but now nobody is ordered to earn—work for health.

Certainly, the tax system is in need of change, since it is impossible to restructure the economy radically while retaining a tax anachronism which was introduced back in the 1920's. But, based upon intelligent advice and having learned from other's mistakes, we must direct attention to the fact that the chief trend in income tax in western countries is that of lowering the maximum rates, raising the non-taxable minimum and lowering the progression level of the tax scale. Since 1988, two rates have remained in the U.S.A.: 15 percent (80 percent of the taxpayers pay according to this rate) and 28 percent. Six million workers who obtain, for example, up to 12,800 dollars annually for a family of four individuals generally are not taxed whatsoever. In Great Britain there are two rates: 25 and 40 percent for a non-taxable minimum of from 2,500 to 5,000 pounds sterling. That is, in these countries the average wage for our manual and office workers of 234 rubles and particularly agricultural workers—158 rubles, even in a conversion in accordance with the official exchange rate, generally would not be taxed.

An interesting fact: in the U.S.A., despite a sharp reduction in the tax rates and budgetary receipts. These are the true fruits of the "supply economy" and the "theory of expectations, a representative of which is presidential adviser Arthur Leffer, who wrote: "Tax receipts are simultaneously the product of the tax rate and the tax base. As the tax rate increases, the base declines. The tax rates affect business-like activity or the tax base—in that they exert an influence on economic incentives."

If we consider that the search for truth in science cannot have any territorial or ideological limits, then we must orient ourselves mainly towards growth in economic activity and national product by reducing the redistribution of the foreign income of the state apparatus.

References to the dissatisfaction of the population with the high earnings of some fellow citizens are unfounded. The newspaper MOSKOVSKIYE NOVOSTI [Moscow News] conducted a sociological study. To the question: "Is it fair for our society to include people who very high incomes both legally and honestly?" Sixty percent of those interrogated answered: Yes, it is fair. Only 25 percent believed it to be unfair. The majority understand that those who earn more contribute more to society.

It is difficult for us to make an intelligent judgement concerning taxes if we still do not know exactly which portion of the income being produced by us is being transferred over to the state. In accordance with the 1989 plan, the gross national product will amount to 923 billion rubles. The state budget—495 billion rubles. Each

of 128 million workers produce an average of 600 rubles worth of goods or services monthly. Roughly 50 percent of the output produced by each worker is withdrawn for distribution by the state apparatus. Of this amount, the expenses for the population—socio-cultural measures, science, defense and administration—amount to 187 billion rubles—this is 20 percent of the national product. The state spends for the population the same amount it is authorized to withdraw from it, that is, 20 percent of the income. If 25 percent is collected, then it becomes possible without having to tax that portion of the income equal to the living wage. I believe that this is quite logical.

In orienting ourselves towards the program defined by the CPSU, "aimed at lowering the taxes on the population," and taking into account the increased cost of goods and eroding of the cheap assortment, it is impossible to agree with the recommendation of the authors of the draft law in which they called for the establishment of a non-taxable minimum income of 80 rubles. Today even 100 rubles are of less value than the 70 rubles accepted as the non-taxable minimum in 1978. It turns out that the new law does not raise but rather it actually lowers this minimum compared to the existing system at the time it was introduced into operations. An identical income tax rate of 25 percent for all incomes and equal for all individuals would be most fair, economically justified and understandable. Yes and the computation of the tax could be reduced to two arithmetical actions: the subtraction from earnings of the non-taxable minimum and the division of the remainder by four. For example, for a non-taxable income portion of 200 rubles from 300 rubles, 25 rubles (8 percent) would be collected, from 400 rubles—50 rubles (13 percent), from 600 rubles—100 rubles (17 percent) and so forth.

The preparation of income declarations by cooperators and leaseholders, the earnings of which vary and are directly dependent upon the schedules for the sale of products, would be simplified. Such a tax will provide economic incentives and restrict the use of directive methods in the distribution of funds.

The reference point in economics must be the individual and not the state budget or Minfin [Ministry of Finances]. The aims and policies of the departments and systems in general must be in keeping with the nature of the individual and in this manner make the individual more acceptable for the system. Economic fairness is not equality of results but rather equality of opportunities.

#### **Distribution of Wealth Shows Social Stratification**

18270117 Moscow ARGUMENTY I FAKTY in Russian  
No. 27, 8-14 Jul 89 pp 5-6

[Article by A. Zaichenko, candidate of economic sciences: "Inequality of Wealth"]

[Text] By what means should we measure the inequality of social wealth? Of course, by the distribution of personal incomes of the population, as is done in most of the

world's countries. However, in a country where the value equivalents have lost their price coordinates, where wages do not serve as a criterion of labor, and where consumer goods and services may exist in complete isolation from the quality of real life benefits, it would be thoughtlessly rash to determine or define the inequality of wealth by such a means.

#### **Differentiation in Consumption**

Thus, for example, in our country in 1986 a family of 4 persons with a monthly income of 260 rubles consumed only about one-third as much meat and meat products as a similar-sized family with a monthly income of 900 rubles.

But in the United States the per capita consumption of food products as a whole among the most prosperous 10 percent of American families is only 10 percent higher than that of the least well-off 10 percent. (It is another matter when we speak of the quality of this meat—cheap cuts of chicken versus expensive cuts of veal.)

Most contemporary countries have introduced an entire system of redistributive measures (taxes, social grants-in-aid, payments, and privileges), which are conducive to a significant lessening of the final inequality of consumption. Moreover, taxes are levied on a progressive scale: the higher the amount of the income, the higher the tax rate. And grants are paid out to the truly needy.

But in our country real inequality in the standard of living, even when we take the public consumption funds into account, remains very high. With regard to the OEP [public consumption funds] as a share of the GNP [gross national product], we lag considerably behind all the world's developed countries: in 1987 this figure for the USSR was approximately 20 percent, whereas for the United States it was about 28.5 percent. But even these means, insignificant as they are by international standards, are distributed very unevenly. A disproportionately large part of them is consumed by high-income groups of the population.

Furthermore, the differentiation in the consumption of goods and services is exacerbated by the profound differences in the quantity, accessibility, and quality of the goods and services being distributed via the public network as compared to the closed network. According to data published in PRAVDA, only 0.04 percent of the population in one of the oblasts in the Non-Chernozem region, constituting staff members of the obkom and oblsposkom, as well as their families, consumed from 56 to 100 percent of the del-type items.

For a long time the efforts being made in our country to raise the standard of living among the least well-off strata of the population, in particular, by means of increasing the minimum wage, have been labeled as "leveling" by many economists. This is a fundamentally untrue assertion, inasmuch as these measures have been directed at raising the standards of consumption for most of the

country's population to the level of the physiologically necessary norms, rather than being aimed at lowering the inequality.

The inequality of the status of elderly persons has been exacerbated. As is known, the average size of a state pension now amounts to 84 rubles per month.

At the same time, our country also has an elite 500,000 personal pensioners. Their high level of security is composed of the size of their personal pensions (up to 500 rubles per month) and a whole range of high-quality services which are granted to them.

Moreover, the overwhelming majority of personal pensioners are former highly placed and highly paid civil servants, who, over their many long years of employment, have accumulated considerable material valuables (an apartment, an automobile, a dacha).

In all, in the highest stratum of the multi-million-person contingent of pensioners, as of 1987, there were approximately 750,000 persons, or 1.6 percent of their total number. **However, only one-tenth of them (about 0.2 percent of the overall total) could be counted as the "soviet-style" very well-off. Their personal wealth exceeds by a factor of 100-1000 the possessions of 16 million of their fellow old-age pensioners, who received less than 60 rubles a month in 1987.**

#### Counting on the "Middle Class"

We can attempt to compare the degree of inequality of wealth by using the criterion of the distribution of personal property. In the USSR in 1985 the amount of personal wealth owned by a family, on an average, amounted to 7,300 rubles, including 11.6 percent for transport, items of clothing—31 percent, and cultural-everyday items—28.2 percent.

In the United States, according to a 1984 study, the personal property ownership of the average American family was estimated at 32,700 dollars. What did this consist of? Private housing accounts for 40 percent of the value of all wealth (2/3 of the families live in their own private homes, while 1/3 have a lease and pay rent, the average usable space is 48 square meters per person), whereas savings accounts and various types of securities account for 25 percent. The remaining amount is accounted for by motor vehicles, valuables, and household appliances.

As we can see, American and Soviet families cannot be compared as to quantity, quality, composition, or structure of their accumulated wealth. Naturally, it is also impossible to compare them as to inequality in the distribution of accumulated property.

Thus, in the United States, 12 percent of the households owning wealth valued at 125,000 dollars or more accounted for more than one-third of the country's entire personal wealth, whereas 0.5 percent of the richest American families account for 22 percent of such wealth.

At the same time 26 percent of the families with low incomes (less than 900 dollars per month) owned less than 10 percent of the country's net wealth, and this indicates an extremely high degree of inequality, considerably greater than in the Soviet Union.

**However, if we attempt to compare what is comparable, i.e., take into account the personal, uncapitalized wealth, then it turns out that the inequality is greater in our country.** We can include among the well-off citizens—the Soviet equivalent of the American "middle class"—all persons who possess their own private automobiles—13 million persons, or 11.2 percent of all families in the Soviet Union. It is specifically about these citizens that we can say that, on the whole, by real standards of consumption, they belong to the well-off strata of the population, those which have a "full set" of the following items: an apartment (or house), modern, up-to-date furniture and appurtenances, an automobile, and, in many cases, a second home (a dacha), i.e., those items which, throughout the world, are considered to be the attributes of the "middle class." The small number of automobile-owners who do not belong to this group are fully compensated for by families, which, although they do not own private automobiles, nevertheless do have high standards of living.

For the sake of comparison, let us point out that in most of the developed countries in the West the proportion of this social and class heterogeneous group comprises 50-70 percent of the total population, whereas in the GDR, Czechoslovakia, and Hungary it amounts to 40-50 percent.

The phenomenon of the "middle class" plays an exceptionally important role in the political and economic life of present-day countries. This numerous group stabilizes a country's political life, serves as a unique kind of guarantor of democracy (and not just the bourgeois kind) by crowding to the periphery of public life various extremist movements and factions. At the same time, the consumer demands of the average, well-off strata determine, to a large extent, the development of the economy, the structure and rate of its growth, as well as the retooling of production lines.

#### "A Lucrative Position"

As to those who are exceedingly well-off or, by the standards of our life, "rich," we can relegate to this category those persons who not only have a great deal, but who also have that which, in principle, is inaccessible to the vast majority: power, access to special distributors, and high-quality goods and services.

We must also relegate to the category of the exceedingly well-off the representatives of science (academicians and corresponding-members of the Academy of Sciences who do not also hold high posts), art, culture, and sports, as well as officials who work abroad. Their high incomes, honoraria, and trips abroad compensate for their lack of special distributors. Although it very often happens that these persons are attached to certain of such distributors.

According to this author's data, the above-mentioned group includes about 400,000 persons. Counting members of the "new rich" cooperative members, individuals, as well as the "underground" rich persons, it would increase the number in the group involved by approximately 100,000 persons.

Thus, less than 0.25 percent of the country's citizens live by standards which are virtually inaccessible to the remaining population.

In this connection, we should recall that the number of millionaires in the United States at the present time exceeds 1.5 million persons, or 0.6 percent of the population. The equivalent to our group of exceedingly well-off persons in the United States would be not simply the millionaires, but rather the so-called "owners," whose personal holdings have been evaluated at 2-10 million dollars each. During the mid-1980's they also comprised 0.25 percent of the entire population of the United States.

We must bear in mind that comparing these two groups is very provisional. In our country we are dealing with a status-type elite, based on a concentration of status and indisputable power, whereas, in the United States, we are dealing with persons who have achieved their wealth in the process of accumulating capital.

The overwhelming majority of the wealth belonging to rich Americans is in the form of shares of stock, bonds, and securities which serve merely as "titles" of property or wealth. A commercial failure or personal bankruptcy can immediately reduce such "wealth on paper" by several factors of magnitude. That is why the personnel turnover among American millionaires is quite high, and among billionaires it is even higher: in 1986, of the 49 super-rich persons, only two retained the title of "billionaire" since the 1950's (D. Rockefeller and E. Hunt).

Of course, American millionaires live more richly than the Soviet elite. However, our "nomenclatura" can take full pride in the stability of its own ranks.

Uncapitalized property, included in objects and goods, accounts for merely an insignificant portion of the wealth of the American "owners" (10-25 percent). It is no accident that, although they comprise only 0.25 percent of the total population, they have concentrated in their hands 82 percent of the aggregate capital in the United States, consisting of bonds, securities, shares of stock, and trust funds, and, at the same time—only 0.5 percent of their wealth in the form of their private homes, 0.6 percent in open-end [non-time] deposits and cash, and 2.2 percent in the form of long-term durable goods. In other words, with regard to "ordinary" wealth, the gap between American millionaires and the remaining portion of the population of their country was fully comparable with the inequality between the "exceedingly well-off persons" and the remaining citizens in our country.

Furthermore, even with regard to accumulated monetary savings, we cannot boast of any great equality. In 1986 the average size of a deposit amounted to 1,361 rubles. However, if we take into consideration the fact that 7 out of every 8 citizens of our country have no deposits at all, then the average size of the savings accounts already amounts to approximately 7,000 rubles (in 1987 it was about 8,000 rubles). Moreover, among the depositors themselves a very great inequality is to be observed. Because, of course, they include numerous contingents of working people who receive their wages and pensions via the savings bank.

A special position in the population's distribution with respect to the standard of living is occupied by a rather numerous category of citizens, which, with regard to access to high-quality goods and services, tends toward the upper group. Included here are the officials and staff workers in trade and public dining, material and technical supply and marketing sales, procurements, housing and municipal services. In all, it comprises about 17 million persons, or 6 percent of the country's population.

How shortages are turned into personal benefits for the persons who exercise monitoring control over them is attested by the data of selected studies made by Goskomstat [State Committee for Statistics]: the expenditures by trade officials exceeded their official incomes by 60 percent, and in one of the republics 70 percent of the foreign makes of automobiles belong to officials in the fields of trade and services.

With regard to their property status, these persons are distributed in approximately the following fashion: 1/10, or 1.7 million persons, belong to the "rich" group; 2/5, or 6.8 million persons, are among the "middle class," while the remaining 8.5 million persons are among the upper part of the not-so-well-off.

**Thus, the social-wealth pyramid in the Soviet Union looks like this: the "rich"—2.3 percent of all families (of these only 0.7 percent have incomes and property with legitimate sources), the middle-class, well-off strata—11.2 percent of the families, half of which receive a good income from the shortage, and poor—86.5 percent.**

Such a distribution is very provisional and satisfies only one requirement: it corresponds to the criterion of the absolute consumption of personal benefits, albeit remotely, but approaching the international standards.

If we pay attention only to that personal property which has consumer value (without capital), then the corresponding structure in the United States would look like the following: 3 percent—rich, 17 percent—well-off, 60 percent—middle class, and 20 percent—poorly-off. Just about the same picture is to be observed in the other developed countries.

The degree of wealth inequality in our country is considerably greater than in the developed countries. The

fundamental cause is the hypertrophied scales of the poorly off and the rudimentary size of the middle-class and well-off strata.

Building a healthy and equitable socialist society is unthinkable without eliminating feudal vestiges in the "status" distribution of benefits. Development of political

democracy in our country would create the prerequisites for full cost accounting. Under the conditions of socialism this would facilitate the reduction of the boundaries of the official, propertied elite, as well as those of the "underground bandocracy"; it would create favorable conditions for expanding the social and political base of a renovated society—of a Soviet "middle stratum."

## FUELS

### Lessons Learned from Caspian Oil Platform Fire

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2 Jun 89 Second Edition p 8

[Article by PRAVDA Correspondent Z. Kadymbekov, Baku: "Emergency on the Open Sea"]

[Text] The fire broke out on the open sea at dawn. Three explosions shook the steel island at brief intervals. They seemed like muffled bangs to Inspector Komarov who was on a neighboring deep-sea platform: The noise which dissipated waves as if enveloped by cotton bunting on this windy morning, deadened the strongest sounds. And this is how he transmitted it in his report to the republic fire prevention board: "There were three bangs-explosions and, after the second, the metal structure collapsed into the sea. The pillar of flames reached 20 to 25 meters. The fire is spreading in a south-westerly direction. There are 24 people on the platform."

Deep-sea stationary sea platform (GSMP) number 2 is located on the oil-field imeni 28 April which today is the leading edge of Azerbaijan's sea oil production. More than 150 kilometers separate it from Baku's shores. Even from a helicopter's altitude, the small island in the immense expanse of water does not look like a plaything. This is a solid hydrotechnical structure with powerful "legs" which are resting on the bottom at a depth of more than 100 meters. The platform's area is the size of a soccer field and living quarters, a helicopter landing pad, an automatic electrical substation, control panels for various work processes, and other facilities are located on it. There are a whole dozen operating oil wells "producing" thousands of tons of oil per day, which is processed at refineries on land. This is why a fire at sea is not simply a ChP [extraordinary event] but a real disaster whose consequences are difficult to predict.

"Mission number one was to save the people," emphasized Yu. Dorofeyev, deputy chief of the Azerbaijan SSR MVD [Ministry of Internal Affairs] UPO [Administration of Fire Prevention]. "In gale force conditions when the height of the waves reaches six meters, removing 24 people from a platform is, I will tell you frankly, a very serious matter. But Vikhr [Whirlwind] fire-fighting ships from the administration's sea detachment rushed to the scene as soon as the alarm sounded. Despite difficulties with mooring, all of the oil workers were rescued from fiery captivity in less than an hour."

A headquarters was immediately established which included leaders of union ministries, the Kasp-morneftegaz [Caspian Sea Oil and Gas] Association, and the republic MVD Fire Protection Administration and its sea detachment which, incidentally, is the only one in the country. Fire fighters and experienced specialists from the Caspian Para-Military Unit for elimination of oil and gas blowouts joined efforts and began the siege of the blazing island.

During the second half of the day, half of the wells had already burned and a fire started in another a bit later. There was no opportunity to extinguish them. The main thing was something else—to save what had not been touched by the flames. The streams of five portable water nozzles were directed at them directly from the platform to cool them down and just as many were prepared for action. Fire-fighting ships' water cannons were continuously firing.

Meanwhile, a gale swelled, attained wind velocities of 29 meters per second, and cut off the assault path from the sea. And then helicopters came to their assistance. They transported not only people to the platform but also equipment which ensured the continuity of the attacks which were slowly but truly subduing the fire. There was also a critical moment when the waves and a terrible wind tore off the moorings of two out of three vessels working at the fiery base: The day before two wells were destroyed by flames and now, because the vessels were out of order, the intensity of the cooling was sharply curtailed. High waves, reaching nine meters, doomed the crane ship Titan into forced idleness, and did not allow it to drop anchor at the base in order to begin clearing away wellheads of certain wells and decks and thus provide a work front for the blowout fire-fighters. But as soon as the foul weather passed, they succeeded in putting Titan into operation which removed equipment in the fire zone and allowed them to cap two extinguished wells. Next in line were two more wells whose flames had been extinguished during the gale.

"Today we are clearing away the wellheads of the burning wells," S. Mamadov, chief of the republic MVD UPO, transmitted in the report of 30 May. He was at the burning platform from the first day, at the point of the attack. "Four Vikhr's are in operation and 12 stationary and 16 portable water nozzles are working. We have the capability of increasing the number of the former to 20, and the latter to 30 when necessary. The situation is under control."

The laconism of the lines—the courage, selflessness, and high professionalism of hundreds of people who entered into the most difficult and dangerous struggle with a fiery disaster on the open sea. I would like to list them by name but they are in the depths of the skirmish and are not now here to be interviewed. I think that we are obliged to do this later, let us talk when we know the cause of the fire in the deep-sea. But even now I can surmise that it is due to some kind of negligence.

The gale, like some evil fate, tracks people and time after times goes on the attack in a fire. A wind velocity of 25 meters per second forced two fire fighting ships to move away from the platform. At the risk of being once again blown away from the platform, two Vikhr's continue to ensure the fire will be extinguished and protect the wells which are not burning. The crane ship Titan, engaged in clearing away wellheads from the platform, once again has to move away from the steel shore due to foul

weather. On the first summer day, all efforts will be concentrated on a decisive attack against the wells which are still engulfed in flames.

In this regard, I must also say that it would be much faster and easier to defeat the flames if the fire fighters were equipped with all of the equipment needed in this situation. The ships of the Baku sea detachment are not intended for operations close to these major deep-sea platforms. On the open sea still worse in foul weather, and gales on the Caspian are quite normal, and to use them to their maximum effectiveness is quite difficult. The significance of other bases is growing and the scale of their production is increasing. "Construction" of steel islands on a production line has been put into operation in Baku for this year for the first time. We can ensure their safety only with more powerful and modern fire fighting ships. A design of such a ship on the base of a semi-submersible floating drilling rig—a multi-purpose platform for elimination of oil and gas blowouts and fires is still several years from being ready. However, its production has been delayed till 1991 by the ship-building industry. And if there is suddenly once again a fire at sea? Well even now they still have not succeeded in coping.

## ELECTRIC POWER GENERATION

### Public Concern over Nuclear Power Plant Safety Continues

#### Visit to Leningrad AES

18220139 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 3 Jun 89 p 4

[Article by V. Kokosov, Leningrad, under the rubric "Topical Report": "A Reactor Under our Feet"]

[Text] Rumors were creeping around regarding the unsafe condition of the Leningrad nuclear power plant and its harmful effects on the environment. Specialists assert that there is nothing of the sort. But then whence the alarm, are there grounds for it? I went to Sosnovyy Bor, where the plant is located, with the chief of the interagency department of nuclear radiation and chemical safety of the Leningrad Oblast City Ispolkom, A. Sklyanin, and the head of the radiation monitoring commission of Leningrad and the oblast, Yu. Shchukin.

The closer we are to the city, the more attentively I look at the beautiful pines growing along the roadside. They say that the upper parts of the trees are yellowed from radiation. Nothing of the sort—dense, lush green branches.

And here is the AES building. We had agreed on the way that we would continuously measure the level of background radiation at the plant and in all of its facilities. We take the first reading—12 mR [microroentgens] per

hour. Passing by the vigilant guards, we enter the confines of the AES. In a small room we put on white smocks, caps and helmets and put solid plastic sandals on our feet.

Walking along an endlessly long corridor, we come to the unit control panel for the first power unit. The operations of the reactor installation are controlled from here. The wall has a peculiar panel made of squares, each of which represents of a great multitude of RBMK—large-capacity channel reactor—channels. A uranium-graphite type reactor of a million kW [kilowatts]. Such as was at Chernobyl.

"Information on everything coming to the signal panel goes to printers and is recorded on paper, and the information is carefully analyzed," explains S. Galkin, the deputy chief engineer for safety of the LAES [Leningrad AES].

My attention was diverted by a polyethylene packet with a black rectangle on the button of his smock.

"This is a personal dosimeter, checked every month and designed for a dosage of up to five roentgens, that is the annual acceptable norm for a professional," Galkin answers my question. "I have received 0.3 roentgens over the quarter. Alongside are three tablets for 10, 100 and 1,000 roentgens for measuring in the event of an emergency."

"And if you have to go into an increased-danger zone?"

"I take my KID—an instrument in the shape of a pencil. Roughly speaking, a personal dosimeter."

As we left I asked Shchukin, "How much in the room?"

"47 mR an hour."

While we were going to the next facility, I recalled the words of Galkin: "There have been serious changes made in the RBMK over the three years since Chernobyl. Work is still underway, but the main thing is that the physical features of the reactor have been changed. There will not be a second Chernobyl. An additional 80 absorption columns have been added, and the emergency protection works faster. We are trying to bring the speed of operation to two seconds. It was sixteen at Chernobyl. The reactor of the first unit will be halted completely this summer for planned preventive repairs."

Next it was proposed that we stand on the reactor.

Having received a KID—a little pencil in a breast pocket—we head upward on a multitude of flights of stairs.

A massive metal door led into an enormous room. On the floor were bright squares, each signifying a channel. I walk to the center of the slab. Under me is the reactor, here I am above its biological shield. I imagine the graphite womb permeated with process channels with

nuclear fuel. It is just ten meters away. I ask for a background measurement. 3.650 mR an hour.

Control rods that have been used up are loaded into a pool of water. Seven-meter sections of them that were earlier operating in the reactor zone glow a sinister bluish color. Were there no water, the rods would melt and burn. An average of two control rods are replaced each day. There is a special machine with an enormous "vertical shaft" for this in the room. Over the pool there are 82,000 mR an hour, and around it 34,000. That is what the instrument reads.

"A professional can remain here for half an hour," explains Shchukin.

Many disputes have arisen surrounding the water that cools the turbine condensers. People are for some reason convinced that it passes through the reactor. Even though it is technically impossible. I decided for myself to see if the water was radioactive, and I headed for the drain channel.

Four strong and warm jets, foaming, were crashing down into the channel. Here, at the most tempestuous spot, 12 mR an hour. Fishermen were fishing not far away. We asked for a perch for a second and measured its background radiation—17 mR; we threw a tuft of grass onto the concrete slab and looked at the instrument—16 mR.

The raid on the nuclear power plant was over.

"As for safety, the strictest steps have been taken and we are monitoring the situation. The problem is something else—the station is now in its sixteenth year, and its limit is thirty years, at most forty. Where will we get electric power then?"

A serious problem. And the thermal electric power plants will not solve it. A ton of coal, after all, contains a gram of uranium that in combustion quietly flies out the smokestack, which, by the way, a nuclear power plant does not have. And everywhere you hear just background, background, background... But even each person has his own background radiation. I have, for example, twelve mR. Shchukin has thirteen. Sklyanin, ten. And there is nothing terrible in that.

#### Letters For, Against Crimean AES

Moscow ARGUMENTY I FAKTY in Russian  
No 22, 3-9 Jun 89 p 6

[Letters to the editor under the rubric "Two Views of One Problem": "The Crimean AES: For and Against"]

[Text] *About 500 million rubles have already been expended on the construction of the Crimean AES. The voices of opponents to the construction of that plant, however, are sounding more and more loudly now.*

*Dozens of letters to AiF [ARGUMENTY I FAKTY] by both advocates and opponents of this AES are an echo of these disputes. We publish below two of them that set forth the arguments "for and against" building the plant.*

To the editor:

A difficult situation has now been created surrounding the construction of the Crimean AES. The mass media are considering this problem in one-sided fashion. Our point of view is not getting the proper coverage.

First they wrote about us in laudatory tones. We cite just some of the headlines of articles published during the period from 1982 through 1988: "Grow and Raise Up the Electric-Power Giant," "The Whole Country is Building," "Grow, Nuclear Plant...," "Gaining Speed in the Construction of the Crimean AES." But on 14 May 88 the press turned on us 180 degrees. First the KRYMSKIY KOMSOMOLET published the article "The Crimea—Into the Red Book?," and then KRYMSKAYA PRAVDA came out with the feature "The Resort and the AES Are Incompatible" (21 May 88).

What could be said on the score of the latter features?

Yes, the Crimea really is a unique natural phenomenon, it really is "a medal on the chest of the planet," as one of the features figuratively expressed it. But this medal is thoroughly "fly-blown." A knot of social and economic problems has now been woven here. The air pollution of the resorts (the Crimea did not receive the status of an international resort for that reason, there about 380 boilers in greater Yalta alone), the erosion of the south shore of the Crimea, the chemical combines of Armyansk and Krasnoperekopsk, the seasonal inrush of vacationers. To this could be added the problems of the transport connections of the Crimea and the unique historical artifacts of the peninsula that are neglected and going to ruin.

There is only one path for improving the economy of the Crimea—closing the boilers, including the electrical boilers, converting public transport to electric traction and modernizing chemical production, making it ecologically clean. And for that the Crimea needs 3 million kW of electrical capacity.

An AES is a truly complex and potentially dangerous type of production. But nuclear power at the same time is the first of the sectors of domestic industry to devote attention to the ecology and the protection of the environment, including here even the earthquake resistance of buildings and structures. One out of three rubles invested in its construction is directed toward the safety and reliability of its operation.

All of the sites on which AES construction is carried out are researched in detail on the subject of earthquake resistance, and even the AES design itself has a certain emergency reserve for earthquake activity. Or is it assumed that a force-9 tremor will hit exclusively the industrial site of the AES?

Ideas that all AESs must be closed are sometimes heard in the disputes regarding the Crimean AES. Are these statements reasonable?

The disputes on nuclear power engineering are engendering an unhealthy atmosphere that is driving highly skilled specialists away from this sector and sowing panic among the inhabitants of nearby regions while reducing competition on the entrance exams for the higher educational institutions that train nuclear-power specialists. We thus do not want our names to be on the list of those whom people will later condemn for not having been able to defend the development of nuclear power at one time.

—V. Tanskiy, director of the Crimean AES and candidate of technical sciences;

—A. Lyutkevich, foreman.

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It is well known that the unease of many specialists and the public in relation to the earthquake safety of the Crimean AES has led to the creation of a governmental commission. Working groups have been created by its decision that include leading specialists of the country in the realm of earthquake science, geology, tectonics, engineering geology and hydrogeology from many scientific and production organizations.

An enormous volume of information was reviewed and analyzed in the working groups from September through November 1988 that allowed the overwhelming majority of the participants to come to a unified conclusion regarding the following:

1) The seismically active South Azov Fault is located near the site of the Crimean AES on the north shore of the Kerch Peninsula. Its contemporary seismic activeness has been established by instrument readings. This fault joins the Pravdinsk Fault in the area of the Kerch Strait.

2) An earthquake with a force of 8-9 that led to the destruction of ancient Greek settlements occurred in antiquity in the regions of the eastern portion of the Kerch Peninsula adjoining these faults. This gives grounds to consider that the maximum theoretical earthquake at the site of the Crimean AES should be a force of 9 with average ground, and not the 7 that had been accepted earlier in the construction of this plant.

3) As a result of the increasing rise in the water table that was begun by the construction of the AES structures, the seismic properties of the ground are worsening, which will lead to a rise in the theoretical seismicity for the plant. The area of the Crimean AES is directly subject to occurrences of contemporary diapirism (that is, the process of pushing

out the ductile clays under excessive pressure at depth leading to the formation of mud volcanoes).

Notwithstanding the abundance of direct and indirect data that in the aggregate determine a high degree of danger for the AES site, the conclusions reached are eliciting opposition from the specialists of USSR Minatomenergo [Ministry of Atomic Power].

Today it is especially clear to specialists occupied with the problem of the seismic danger of the Crimean AES site that the specific features of the structure and location of the principal faults can and must be elaborated, the geological structure of the region must be studied in more detail, a more detailed seismic zoning of the territory of the Kerch Peninsula must be performed and the multiple diapiric structures studied in more detail; the conclusion regarding the 9-force danger for the AES site and some other unfavorable factors, however, remains, since it is confirmed by data whose essence will not be fundamentally altered.

Another conclusion also suggests itself in this regard: it is finally time for the leaders of the USSR Ministry of Atomic Power to elaborate, under the conditions of glasnost, on the overall concepts of the development of the country's nuclear power.

—V. Trefilov, vice-president of the UkSSR Academy of Sciences, academician;

—A. Chekunov, director of the Institute of Geophysics of the UkSSR Academy of Sciences, academician of the UkSSR Academy of Sciences;

—V. Shestopalov, deputy director of the Institute of Geophysical Sciences of the UkSSR Academy of Sciences, corresponding member of the UkSSR Academy of Sciences;

—K. Yakovlev, department chief in the Ukrgeologiya [Ukrainian Geology] KGU Main Administration of USSR Mingeo [Ministry of Geology], candidate of geological and mineral sciences;

—E. Tikhonenkov, deputy director of the Institute of Mineral Resources of USSR Mingeo, candidate of geological and mineral sciences.

*From the editors. During M.S. Gorbachev's trip to the Ukraine, the residents of Kiev asked him about the fate of the Crimean AES. He answered that an expert analysis of that plant by a group of foreign scientists is currently underway. If they deem the Crimean AES seismically dangerous, the plant being built will be used in the future as a base for training nuclear-power engineering personnel.*

### Legislation on Right to Strike Called for

18280152 Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 7 Jul 89 p 1

[Article by Sergey Shishkin, candidate of juridical science, departmental chair at the University of Irkutsk: "The Law Will Decide"]

[Text] I must say frankly, it isn't easy to write about strikes. Whether we like it or not, in our society's consciousness the organized refusal to work is associated only with capitalist countries, or at best with our pre-revolutionary past. We are accustomed to the idea that strikes cannot happen in the USSR.

The logic behind such reasoning is simple: ours is a government of the people, and we therefore cannot fight against our own government using the acute means of proletarian response. Such, I am convinced, is the dominant opinion in today's society. But does this mean that there is no place for the right to strike in a Soviet citizen's legal status?

We have chosen the path of building a legal government and understand that we must renounce a number of stereotypes from the past. The idea of a legal government will take on a socialist form the sooner we understand that both a timid policy towards these walk-outs or hunger strikes and our sadly deep-rooted urge to solve social conflicts on the private level (reacting seemingly only to excesses) can only give us temporary relief. Life, whether we or not we realize it, pushes us towards a legal system.

But what can be done? For a long time legal ignorance has flourished in our society, and legal nihilism has saturated not only the people's minds but also the government structure.

So why do I think that Soviet citizens should have the right to strike? There is no simple answer to that question. Our government ratified "The International Pact on Economic, Social, and Cultural Rights" of 19 December 1966, the eighth article of which maintains the right to strike under the condition that this right is realized in accordance with the laws of the given nation. Bringing inter-governmental legislation into accordance with an international pact will testify not only to the primacy of international law over internal governmental law, but also to the practical realization of the principle of the supremacy of social values over class interests, a principle our president has advanced.

In our press one can find information about strikes in various cities, although often these reports stress only their illegality. But allow me to ask, how can these strikes be illegal if there is no law to begin with?

Aside from the nominal-legal grounds for establishing a new law, there are also, indisputably, factual grounds. First and foremost is, to speak quite frankly, the worker's alienation from authority and from the means of production as well as the low level of political, economic,

and legal consciousness among our citizenry. In addition to these factors, our recognition of the possibility of conflicts in a socialist society and of the rather deep contradictions between government interests and those of the collective and the individual, in essence, legalizes the practice of striking as an extreme means of solving labor conflicts or removing social tension.

In speaking of the creation of a legal policy for strikes, I proceed from one fact—the existence of this phenomenon in our nation. It is difficult to accept the argument that legally securing the right to strike will instigate or stimulate a strike movement. On the contrary, the absence of a legal framework sets the conditions for an inadequate reaction by individuals to this or that administrative situation. The absence of any apparent negative legal consequences creates in the minds of strikers the illusion that during a strike all is permitted; this enables various political profiteers and demagogues to present a strike as an almost universal means of restoring social justice. Taking legislative measures will facilitate the regulation of the behavior of the parties involved in situations of extreme tension or in situations which are not caused by purely labor conflicts, but which as a rule contain an admixture of nationalism, political profiteering, or coercion.

The right to strike must not be oversimplified to mean, "I'll only work if I feel like it." The law should make provisions for mechanisms to dismantle conflicts in their early stages. The right to strike should be invoked only after all possible measures have been exhausted in the realm of influencing the administration in the matter of putting into effect one's rights to self-management and participation in matters of state and society.

Another important aspect of this issue is the role of trade unions in strikes. The Stalinist conception of trade unions changed them from organs defending the rights and legal interests of workers into what often simply amounted to organs of repression. And in their present form, without serious modernization, they are hardly capable of carrying out their original function. Only the corresponding legal changes can alter the situation.

Let us sum up what has been said. Strikes are a reality in our nation today. Our government cannot be called legal unless it determines their legal status and defends the legal interests of workers in labor conflicts. Above all it is imperative that the right to strike be declared in the Constitution of the USSR and that a USSR law on strikes be adopted. This law, as an instrument of legal regulation, must include certain concepts, such as the definition of a strike and those who declare it as well as the mechanism for averting strikes once they are declared but before they begin. It should also address the rights of parties involved during a strike, responsibility for illegal claims and actions, and the restrictions on the right to strike. Adopting such a law will naturally require the introduction of amendments and supplements to the labor legislation of the Union of SSR and the union

republics touching on questions of dismissal, maintaining length of service, remuneration, etc.

Until today our lawmakers have as a rule been behind the times, and therefore we often fail to keep up with life. But what of it? We'll learn to keep up. We have to understand that only the fresh breeze of a new legislature can fill the sails of Soviet society's perestroika.

### Causes, Reactions to Dockers' Strike Discussed

18280149 Moscow *PRAVDA* in Russian

26 Jun 89 Second Edition p 2

[Article by Ye. Sorokin, Sakhalin Oblast: "Toils... For the Dockers: About the Conflict Which Is Dragging on for the Second Year"]

[Text] Well who in Yuzhno-Kurilsk does not know Mikhail Lukyanov? A local lad who grew up before everyone's eyes. There was a time when he drank a bit, but he got himself under control, and later took a liking to spiritual source—books and newspapers. "I started to respect myself," he says humbly. "I studied 'Das Kapital' and I started reading Lenin's works." Boldness also took hold of him from somewhere. He had never spoken at meetings in his life. And now it is as if someone is shoving him from behind.

People love the bold, especially those who speak the truth. Moreover, in a port which they have named the fish combine "Disbatom": He was at fault—go to the dock workers. That is why many have also been afraid to mention the piers' rotted planks, the lack of a locker room and lounge, or the systematic violation of safety regulations...

And Mikhail Lukyanov had to interfere with the established "scheme." With his "Das Kapital" and "primitive" knowledge of the ideas of perestroika. "Primitive" from the point of view of his opponents, that is, being applied directly to them. They were told: Earn only a thousand, but honestly. "This thousand will hurt us and is not worth anything," Lukyanov convinced his co-workers. "We only need for all dock workers to unite into one comprehensive work team."

They also went to see N. Protsko, fishery combine manager, with it at the beginning of last year. Earlier, he would have thrown them out the gate in a jiffy. But now he listened and practically promised them paradise.

And he did not promise it with all sincerity. A conflict flared up. The rayon newspaper was forced to defend the dock workers' interests three times. Later, the oblast newspaper also defended them. Alas, not one of the dock workers' suggestions was made a reality. Why? I posed these questions to dock workers M. Lukyanov, Yu. Belyaev, M. Umarov, S. Melekhin, and N. Shumskiy. The answer was discouraging:

"Now many Ethiopians are being fed on our account: The more elements—the larger their staff. Create one

work team and how many masters and stevedores will we have to immediately curtail. And it is worse to support hangers-on.

"We dock workers knocked on the doors of every office in our enterprise, demanding justice! And when we understood that we could not reach the all-powerful manager, we went to the party raykom. But, not finding understanding even there, we decided on an extreme measure."

This event will be remembered in the village for a long time, although it also happened about a year ago. Five dock workers led by Lukyanov unfurled a banner with the inscription "We demand a legitimate wage" and walked along main street to the office of party raykom secretary V. Shekhovtsev. Stupefied by such a form of protest, he did not receive them there and then.

"Their demands were totally just," he told me during a meeting. "We established a commission and it looked into everything."

It appeared that the conflict was settled. The only thing was to cheer up. But... "Everything that the party raykom told you—is a lie," writes Lukyanov, in particular. It turns out that those who cheated on wages were also not punished. As before, the dock workers walk, like walking a tightrope, along the rotted piers.

This seemed strange to me. After meeting with them, Shekhovtsev left the impression of a decisive man who knows how to see something he has begun through to the end. And establishment of a comprehensive work team is evidence of the dock workers' righteousness: Work has significantly improved and wages have increased. Nevertheless, the secretary was not as good as his word. At the end of August 1988, the question was raised before the 22-man work team: Who will lead it? Seventeen dock workers went to the leadership: "We nominate Lukyanov."

And this is where it started! They urgently began to put together a kompromat [document undermining his prestige] on Lukyanov. What a rascal, they said: he had won everyone over to his side. Yes, he had won them over, if it had not turned out to be equal to him. What is bad in that? Now everyone has the right to lay claim to any position. The people give credence to—govern, you have not justified our trust—vacate the seat. Clear and simple. Is there something criminal here? Yes there is something criminal here which made the leaders fear for their seats. Today, Lukyanov gets away with a "trick," and tomorrow for all we know, they themselves will lease the combine.

Having understood that there would be no elections, the dock workers quit work and once again went to Shekhovtsev. The secretary turned out to be in a tough situation. And he made it worse with what he did do: He threatened to fire the "two or three demagogues" and the rest, he said, would return to work.

I can already hear the retort: Does it turn out that we have to indulge strikers? And thus the Lukyanovs will take power in their hands and the nation will be led to anarchy! Well, here it is, the vaunted democracy. Alas, we need to admit that, under democracy, the dissatisfaction which accumulated over the years at times splashes out in forms which we are unaccustomed to. And we have to reckon with this. As well as with the fact that new conditions have begun to appear for those who stand in place. How, for example, did it come out that the raykom secretary did not beat M. Lukyanov in an ideological argument? Lukyanov "did not graduate from the academies," but he led two dozen men.

"He is a demagogue, he plays on brute feelings and on crowd psychology," can be heard among the rayon's "leadership." Let us allow that they are correct. But, maybe, Lukyanov forced someone to strike or threatened reprisals? No, the raykom lost the duel with him for the simple reason that they wanted to resolve new conflict situations with old methods.

V. Shekhovtsev had time to correct the situation and convince the dock workers that they should not choose that path. Alas, he did not take advantage of that opportunity. But did he also want to?

All the events which followed are a continuous chain of errors, first of all by the party raykom. The team did not work from 29 August through 1 September. And no one came to them, no one talked or even simply put them to shame. They met their match this time. It seems improbable: A very important element of the enterprise is standing idle and this "sways" no one.

In September, a profkom [Trade Union Council] expanded session took place. They invited the whole work team there, and, at the same time, representatives... of the militia and KGB. It is obvious that V. Shekhovtsev felt more confident with such "ideological" support. The profkom recommended that four dock workers be fired.

They removed "the rabble-rousers" but the strike continued. A week later, a well "trained" trade union conference approved the profkom's decision.

A strange and troubled time began for the collective. Few understood what is going on. The leaders say that the dock workers are simply demagogues but an obkom trade union technical inspection closes both workers piers as totally unsuitable for operation. The militia chases the four fired workers off the combine's property but the remaining dock workers remain on strike anyway. The conference condemned the strikers but a letter sent to Moscow has more than 100 signatures of support. Well just what is going on here?

The profkom insisted on firing the remaining striking dock workers before long in order to be "logical" to the end. The administration and the party raykom in essence acknowledged their total inability to work with people.

And two weeks later, a commission from USSR Minrybkhhoz [Ministry of the Fish Industry] and the fisheries workers trade union central committee arrived in Yuzhno-Kurilsk. It recognized the dock workers demands as just and their dismissal as illegal.

Only M. Lukyanov and N. Shumskiy turned out to be "overboard." They were charged with a violation of law. Not a month later, M. Lukyanov had the opportunity to haunt the court's threshold. And the combine's leadership, obviously not without skillful direction, has already moved to a direct falsification. For example, the commission had hardly made its decision when an agitated telegram came from the fishery combine signed "In the name of the collective." And under it were two names: Chief Engineer V. Pivovarov and Planning Section Chief V. Spichkin which the latter had found out about for the first time... at the trade union central committee presidium session.

I call N. Matrosova, chairman of the fisheries industry workers trade union central committee: "How are things at the fisheries combine?"

"It is as if it never happened," she answers with embarrassment. "We have sent three telegrams from the ministry and the trade union central committee with a demand to restore the dock workers to work but the administration has stubbornly refused: they referred to the local authorities' ban. A paradoxical situation took shape. The trade union central committee expresses distrust in Chief Engineer Pivovarov and demands that he be removed from the position he holds. But the workers collective soviet of which he is the chairman has taken him under its protection. By the way, it is small wonder: The overwhelming majority are true itereovtsy [transliterated] to their "Chief" and are the same ones who put obstacles in the dock workers' path. As we can see, group interests prevailed. Anyway, under our pressure, Sakhalinrybprom [Sakhalin Fisheries Industry] association restored a portion of the dock workers to work, but the "chief rabble-rousers" had to be restored through the courts.

As we can see, until now, truth has not triumphed. Protsko, who was relieved from the post of combine manager at his own request, is triumphant: Although Protsko also paid with his position, Lukyanov "has been frustrated." As people say, he got caught in his net.

The shameful struggle with the workers, which the administration and the party raykom has been waging, is still going on now. In 1988, was not the May peoples flood, which forced the former party obkom first secretary to submit his resignation, "fed" by such conflicts? Were they not the sources which caused the current party obkom first secretary to not be elected a USSR peoples deputy? People never forgive indifference and playing bureaucratic "games" with them. These two events along with everything else showed in all its acuteness what kind of web of problems has accumulated on the edge of

our land. Democracy and glasnost frequently "gets stuck" here on the "quiet" resistance to perestroika.

Evidence of that was in a letter which recently arrived from Yuzhno-Kurilsk: Clouds have once again gathered over the "rioters." Without having consulted the collective, the combine's new leaders created a cooperative at the port's location. Lukyanov's team was reduced in connection with this. Despite society's protests.

Has history really not taught either the party raykom or obkom anything? Really, the conflict with the dock workers in Yuzhno-Kurilsk was to a definite degree a "stimulus" by the party raykom and by its clumsy work with people. Such is the sad result of perestroika's lag in party agencies from the changes which are occurring in society. Incidentally, this was discussed with great alarm at the USSR Congress of Peoples Deputies. Today V. Shekhovtsev can probably convincingly contend: We would have liked it be a bit bitter. But, we agree that it is hard to determine which of the two evils is less: To impede perestroika from clear disagreement with it or from excessive and therefore cautious love for it.

#### **Data on Night Shift Salary Differentials Provided**

18280151 Moscow ARGUMENTY I FAKTY in Russian No 27, 8-14 Jul 89 p 3

[Answer to letter from O. Ashparina of Kaliningrad, Moscow Oblast, on legislature concerning night shift salary differentials. Prepared by Yu. Savin]

[Text]

[Question]—In Issue No. 24 of "AIF" ["Argumenty i fakty"] I read an item about labor terms for night-shift work in our country and abroad, and I was very surprised to learn that night-shift salary differentials in the USSR amount to 40 percent of the original wage. I work shifts at a computer center, and we receive no differentials for working at night. I would like to know, by what right are they paying us less than is provided for by law?—O. Ashparina, Kaliningrad, Moscow Oblast.

[Answer] A senior official of VTsSPS [the All-Union Central Council of Trade Unions], E.V. Minin, who recently took part in the 76th session of the General Conference of the International Organization of Labor (MOT), has informed us that the report for the first quarter of 1989 indeed announces an additional payment of 40 percent of the original wage for night-shift work in the USSR. This information, conveyed by Goskomtrud [State Committee for Labor and Social Problems] of the USSR at Geneva, was published in "AIF." However, at Geneva a number of other data were released which unfortunately were not included in the report cited above. Therefore, by way of clarification I would like to pass on the following information to our readers.

In the USSR, according to labor legislation, night shifts should be an hour shorter than regular shifts, with the

exceptions of work in enterprises with a non-stop production cycle and shift work for 6-day workweeks with one day off. As for monetary compensation for working night shifts, that varies, depending on the type of production involved. For the majority of industrial enterprises in branches of production, these salary differentials add 20 percent to the rate of pay for night-shift work (between the hours of 2200 and 0600). However, wage differentials for night shifts can amount to 35 percent at non-ferrous metallurgic plants or at a number of branches of the chemical industry; 50 percent in flour and groats-grinding as well as bread-baking industries, and as much as 75 percent for workers of the major workshops in the textile industry. The scale for salary differentials for night-shift work has been determined based on a decree by the Council of Ministers of the USSR.

In 1987 a decree was adopted by the CPSU Central Committee, Sovmin [the Council of Ministers], and the VTsSPS on the development of forms of multi-shift labor in the USSR with the goal of more effectively using equipment and production potential. According to this document, 40 percent salary differentials for night-shift work go to those who work a 3-shift schedule in industry, construction, transportation, or communications. Moreover, the enterprise must use its own means to pay for these differentials. Unfortunately, this kind of salary differential has not been introduced everywhere. It is only instituted in cases where a person works more than half of his hours between 2200 and 0600. Those who work a 2 to 3-shift schedule will receive a salary differential for the second shift at a scale of 20 percent above the normal rate for every hour worked.

#### **Wage Growth, Labor Productivity Analyzed**

18280138 Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 89 pp 5-6

[Article by L. Kunelskiy, professor, doctor of economic sciences: "What Is Happening with Wages?"]

[Text] Nowadays many labor collectives and individual employees have come to realize full well that the attainment of a higher standard of living is connected, above all, with an increase in wages. But as to the fundamental stipulation that its increase must be strictly correlated with the end results of collective as well as individual labor (or, to put it more precisely, is predetermined by them)—this is something which is much more difficult to perceive and understand, and even more so to implement.

As a result, there has been a sharp "surge" of ungrounded, unjustified wage payments, which has complicated a situation—already tight even without this—in the market for goods and services. Thus, during the first quarter of 1989 the increase of the fund and the average wage in the national economy proceeded approximately twice as fast as the growth of labor productivity.

### When the Sluice-Gates Are Opened....

First—some figures which will tell us more eloquently than anything else about the growth of the average wage during the last few years. And so....

Over the course of the entire previous five-year plan the average wage of workers and office employees increased by 21 rubles a month, or 252 rubles a year. But in only three years of the present five-year plan (from 1986 through 1988) its growth amounted to 27 rubles a month, or 324 rubles a year. Moreover, the absolute growth of wages has proceeded year by year every year.

Thus, in 1986 the average monthly wage increased by 5.5 rubles, in 1987—by 7.3 rubles, and in 1988—by a precipitous 14 rubles. During the first quarter of the current year wages reached 234 rubles on a monthly average, as compared with 214 rubles for the corresponding period of last year....

**To put it more succinctly, during just one year the average monthly wages of workers and office employees increased by 20 rubles, i.e., almost by as much as they grew over the course of the entire 11th Five-Year Plan.** But just what does this mean? Can we start to enjoy the benefits of these "quick" rubles? Alas, no.... Such a substantial increase in the amounts of wages could be universally welcomed if it were based on a sharp improvement in the production indicators at enterprises. But are the latter better to the same degree that wages have increased?

Let's take, for example, the data which characterize the country's socioeconomic development during the first quarter of the current year. The GNP [gross national product] increased by 5 percent, while the wage fund for employees in the national economy went up by 9 percent. The productivity of public labor (an extremely important indicator, which reflects the increase in production efficiency) increased by 4.5 percent, while the average monthly wage of workers and office employees went up by 9.4 percent.

**Thus, the extremely important national-economic proportions ensuring a balance between income and expenditure were violated.** Basically, it is precisely this which has also brought about the entrance of an excessive amount of money into circulation, the development of inflationary processes, and the decline in the purchasing power of a ruble which is not fully backed by goods and services.... And people have stopped putting money back into circulation: during the period of January-March of the current year alone deposits made by the population in institutions of the Sberbank [Savings Bank] grew by 10.8 billion rubles. And the total amount of the population's postponed unsatisfied demand for goods and services today comprises at least 70 billion rubles according to estimates by specialists.

But from just where, from what miraculous spring, did such a precipitous and powerful stream surge into the consumer-goods market?

**The decisive role in the growth of wages was played by a significant increase in the payments being made from the material-incentives fund,** the volume of which during the period of January-March 1989 increased by a factor of 1.4, as compared to the first quarter of last year. Investigation of a number of enterprises in the automotive industry, machine building for the chemical industry, and other sectors has shown that the increase of payments from the material-incentives fund amounted to 70-80 percent within the overall growth of wages.

In turn, the increase of this fund was predetermined by a sharp increase in the total profits by means of reducing the costs of the products being turned out and a growth in the production volumes. And many enterprises were also helped in receiving increased profits by the price factor—by the raising of contractual prices, the use of various kinds of markups and surcharges (for turning out goods with the "N" index, particularly fashionable items, etc.). Quite often such a price manipulation yielded a 30-percent increase in profits!...

Furthermore, having acquired the opportunity to retain most of the above-plan profits at their own disposal, certain economic managers and labor collectives strove to lower the plans and thereby, without any great tension, to overfulfill the tasks assigned by them, thus gaining in the total income received. As an end result, this allowed an unjustified increase in the total sum of assets being channeled into the economic-incentives funds, as well as paying out what is, essentially, unearned money.

**Also playing its own role in increasing the magnitude of wages is the introduction of new wage conditions by means of assets accumulated by enterprises** when "freeing up" some personnel (as much as 5 percent on an average), increasing the production volume, and carrying out structural changes in wages. Last year new, increased wage rates and salaries were introduced for approximately 27 million workers and office employees in the national economy's production sectors. Assets previously accumulated for this purpose were merged into the overall wage total for the first quarter of the current year.

It is obvious that, as a result, the influence of the new wage conditions on the growth of wages will decrease, inasmuch as during 1989 the total number of employees for whom they must be introduced will be less by approximately one-half.

### Sow the Wind—Reap the Storm

Recently certain economists—theoretical as well as practical—have declared that the growth of labor productivity does not at all have to outstrip the amount of increase in the average wage. On the contrary, they demonstrate by theoretical means not only the possibility but even the feasibility of the opposite correlations, whereby wages increase more rapidly than labor productivity.

However, any theoretical construct—especially in economics!—must be supported or rejected by practical experience. And, in this connection, it is appropriate to note the following: the results of last year and the first quarter of the present year do not speak at all in favor of such a proposal.

Indeed, despite the fact that last year, for the first time in many years, the plan for goods turnover was not only fulfilled but overfulfilled, there was considerable growth in the volume of paid services offered to the public, and, it would seem, that favorable conditions were created for strengthening balance in the consumer market, this, however, did not happen. And mainly because of the violation of the correlations between the increase in labor productivity and wages in all the basic sectors of the production sphere and for the national economy as a whole.

**Thus, last year in industry for every 1 percent of increase in labor productivity, there was an increase of 1.4 percent in wages, in construction—approximately 1.1 percent, and in agriculture (the public sector)—1.3 percent.** An analogous situation also took shape during the first quarter of the current year. The violation of this objective proportion has become a mass phenomenon.

The following is a legitimate question: How could this happen if during the current five-year plan in the principal sectors of the production sphere the above-mentioned correlations were previously specified in the form of an appropriate norm? Because, after all, conditions were thereby created for enterprises to more flexibly approach the setting of a wage hike during this or that period of the five-year plan.

Say, for example, if in a certain year savings were effected, then in the following year expenditures of wages could be increased, while retaining the correlations established for a five-year average. However, the specific situation which had evolved during the course of the five-year plan undercorrected this point of view, which, in principle, was well-founded, and demonstrated the need to provide for the correct proportions between the growth of labor productivity and wages not only for the five-year plan as a whole, but also for each year.

Can we anticipate, in case of increased violations of the correlations, an imbalance in favor of wages? We can, but only if, during the preceding period, considerable reserves of products have been accumulated for covering the monetary assets which have made their appearance in the market, and the growth of which has been outstripped by the increase and the volume of production, as well as labor productivity. But, of course, the reorientation of production in our country aimed at increasing the output of consumer goods is still just beginning. As of now, **the output of production equipment and producer goods is still absolutely predominant in industry.** Moreover, the proportionate share of their production in 1987 increased to 75.1 percent, as compared with 74.8 percent in 1985.

And if we take into account the fact that eight-tenths of all those working in industry and an even-greater portion of the assets which go toward wages are accounted for by industries of Group "A," then **the following quite paradoxical situation arises: improving the operational indicators in the branches of heavy industry increases the disproportions in the balance between the population's income and expenditures.** Therefore, the disruption of the plan assignments as to growth in the production of goods and services during the years 1986-1987 not only complicated the situation in the market but also did not allow us to create any sort of reserves.

And, in contrast, improvement of the situation in the consumer market must be facilitated by the sharp increase in the production of goods and services which has been planned for this year and next year. This includes the consistent reorientation of industrial enterprises in Group "A" toward the production of consumer goods. In the defense complex alone the output of items will substantially increase in 1990 and will amount to tens of billions of rubles, while during the 13th Five-Year Plan their production will be further increased in greater amounts.

#### Extraordinary Measures Were Required

The critical situation which evolved in the balance between income and expenditures required the adoption of decisive measures with regard to a stricter regulation of the proportions between the increase in wages and labor productivity. And they were adopted, which is in accordance with Article 14 of the USSR Law on State Enterprises, which has provided for the obligation to maintain an outstripping growth rate of labor productivity.

During the years 1989-1990 for enterprises and organizations operating in accordance with the first model of cost accounting a correlation has been specified, as was also the case previously, between the growth of wages and that of labor productivity. But if the enterprises have used, under this model, a calculation of the production volume by net output, then the normative correlation can be established between the increase of the wage fund and the growth of net output.

And for collectives using the second model of cost accounting, as well as those who are introducing leasing relations, a correlation has been set up between the growth rate of payments from the unified wage fund and the growth rate of income.

At present the normative correlations are drawn up not in accordance with the situation at the start of the five-year plan, but rather by quarters of the year. The procedure of accounting for assets to be used for wages has also undergone serious change. Whereas previously a number of computations in specifying the correlation were not taken into account, nowadays, paying heed to the necessity to correct the state of affairs in the consumer market within a relatively brief period of time, all payments must be taken into consideration in wages.

Exceptions are provided for solely for centrally allocated assets for carrying out general state measures for improving wages, such as the introduction of regional coefficients, bonuses for periods of work in certain regions of the country, and in certain other cases.

So why then, if such strict measures were undertaken, was the correlation, nevertheless, violated during the first quarter of the present year?

First of all, the fact of the matter is that the ministries and departments brought the correlations which they had established for 1989 to the enterprises only at the end of February and the beginning of March. Not being hemmed in by the rigid framework of the norms, the collectives had the opportunity over the course of two months to pay out wages without paying attention to the new correlations—there simply were none. It was precisely during these months that the enterprises' cash-boxes were "vacated" by substantially increased payments of awards for annual work results, for services through the years, bonuses for results achieved during the preceding quarter. It was precisely for this reason that the income of the population grew so precipitously during the January-February period.

Furthermore, let's note that for the first quarter for the absolute majority of enterprises and organizations, correlations were established which were higher than those specified for the year as a whole. To a certain extent, this was justified, inasmuch as it is precisely during the first quarter that various payments are made, based on the results of the year just ended. However, correlations were frequently established which were patently unjustified, and they have to be—this is necessary!—refined and more evenly distributed through the quarters of the year for the sake of the mandatory observance of the annual correlation.

In March the established correlations at last were put into operation, and the growth of wages, for example, in industry amounted to 4.6 percent, with an increase of labor productivity amounting to 6 percent. In other words, the situation has been normalized.

However, even if we assume that the growth of wages which evolved in March will be maintained in the future, and the annual assignments with regard to increasing labor productivity will be carried out, the following is, nevertheless, clear: the increase of wages for the year as a whole still exceeds the increase in labor productivity. Hence, it is obvious that there is a persistent need to strictly observe the correlations. And—at the same time—to adopt additional measures for accelerating the growth rate of labor productivity, based on increasing product output as well as reducing the number of personnel.

Moreover, taking into consideration the fact that collectives have recently made extensive use, in order to increase the monetary incomes of their employees, of assets from the fund for social development and even from the fund for the development of production, science, and technology, nowadays the procedure for

spending from these funds has been refined. It has also been regulated in such a way that the various privileges bearing an individual nature and increasing the personal incomes of the employees have been established by means of the material-incentives fund and the unified wage fund.

#### From Norms to Taxes

During the course of the reform there arose the economic and social feasibility of replacing the presently established normative correlations and convert to a scientifically based system for taxing enterprises. Let's explain this on the basis of a specific example.

Nowadays more and more labor collectives are converting to the second model of cost accounting, based on the distribution of income. If, at the beginning of last year, such a model was being used merely at isolated enterprises and organizations, during the first quarter of 1989 it was already being used at 8 percent of the industrial enterprises and 10 percent of the construction-and-installation organizations.

Leasing has also become widespread. Thus, in industry leasing contracts have been undertaken by more than 600 enterprises, and in construction—by almost 250 organizations. This process is getting up a head of steam, inasmuch as U-kase and other normative acts have already been adopted which specify the legal, economic, and social fundamentals of the leaseholders' activity.

It is undoubtedly true that converting to the second model of cost accounting (and, all the more so, to leasing relations) allows us to more consistently introduce full cost accounting, to seriously activate on this basis the labor activity of the collectives, as well as that of individual employees. However, it is necessary to think a year ahead of time about certain fundamental circumstances connected with the dissemination of these forms of economic management.

Assets for wages here, as is known, are a remnant from the cost-accounting income after the formation of the funds for developing production, science, and technology and the fund for social development (sometimes enterprises likewise form a reserve fund).

Hence, there is an obvious and definite risk which the collectives are undertaking: because, after all, the sums left for paying wages can, in the final analysis, turn out to be not very much. At the same time, however, if these enterprises work dynamically, increase their cost-accounting income, and make the best use of their fixed and operating capital, the wages can increase substantially: because, after all, under the second model, no norms are used for forming a unified wage fund.

Moreover, this form of economic management provides incentives for resource conservation. However, let's take into account the fact that, within the structure of outlays for production, the proportion of expenditures on materials, as a rule, considerably exceeds the proportion of

outlays on wages. Every percentage point of savings on material resources is, in some cases, tripled, quadrupled, or even increased by more percentage points for wages.

Thus, for industry as a whole the proportion of wages, including deductions for social insurance, correlates with material outlays as follows: 1:4.6. And in the light, food, meat-and-dairy industries these correlations are even higher. Let's take into account, in this connection, that the norms for the expenditure of materials are far from sufficiently progressive everywhere, while sometimes they are completely lacking.

Thus, the need to employ a system of taxation which would ensure the objective combination of the interests of enterprises and those of society (at the national-economic level as well as in a regional cross-section) is obvious. Let me say, by the way, that it is specifically with the aid of taxation that the developed capitalist countries redistribute a considerable portion of their GNP and national income, thereby concentrating sums amounting to many billions of dollars in their state [national] and local budgets.

And so, just what kind of a system of taxation could and should we have?

Above all, while exerting an economic influence on the system of economic management, it should in no way infringe upon the rights and initiative of the collectives in their use of the most effective forms of economic management, and, at the same time, it should stimulate the enterprises to more actively invest funds in modernizing and retooling their production facilities, to produce the most up-to-date items, and to use progressive technology as well as the most effective forms of labor organization.

For this it is necessary that the growth rate of cost-accounting income outstrip the total of assets being channeled into wages and into increasing the income of employees as a whole. Only then will enterprises be motivated to consistently improve their production facilities, to turn out products with higher consumer features, based on the achievements of science and technology. At the national-economic and regional levels the necessary preconditions will appear for increasing and strengthening the balance between the population's income and outlays.

Under the conditions whereby a genuine socialist market will be created, when establishing taxes, the possibility will be created of proceeding on the basis of the following principle: an equal tax on an equal income. But for now there is no such market, and, consequently, we must group together sectors depending upon the level of profitability and for each group to specify an equal tax for all enterprises. Otherwise, enterprises and labor collectives which do good work will, just as before, by means of their own incomes, create the possibility for a comfortable existence on the part of negligent persons and those who simply work badly.

A well-founded system of taxation would also facilitate the consistent overcoming of such negative phenomena as a scorning of public interests on the basis of a group-type or more frequently an individual type of egoism.

#### Contracts and Leases in Opposition to Leveling

Neither cost accounting nor leasing relations provide any obstacles to the increase of wages. On the contrary, they are aimed at strengthening the ties between wages and specific labor achievements. And it is the lack of a dependency between the growth of wages of labor collectives and individual employees, on the one hand, and the improvement of production indicators and the increase of labor productivity, on the other hand, that, in essence, signifies the spread of leveling in wage matters.

Leveling is extraordinarily tenacious. It obviously does not wish to surrender its positions, and, therefore, a complex of diverse measures will be required in order to overcome it. Thus, for example, we have already removed the restrictions on using supplementary payments and bonuses for combining occupations, expanding the zones of service, for operating with a smaller number of personnel. We have also removed restrictions on awarding bonuses to workers, managers, and specialists—by way of encouraging them for collective labor results. But is this enough?...

Because, after all, there are still instances whereby, in introducing brigade contracts and leases, keying employees to attainment of the maximum end results and, consequently, objectively creating the possibility of obtaining higher wages, desires are still being expressed to restrict the freedom of utilizing such forms of economic management. It is said that "they earn too much." And here is where the leveling approach is making its appearance nowadays, the desire to level everybody out, to make them all fit the same pattern!

The following point is evident: in order to eradicate leveling, the employees themselves must be placed under such economic conditions whereby it becomes a matter of direct concern to them how, with what efforts, and with what effect on the work each member of the labor collective operates. With this goal in mind, it is obvious that the rights of enterprises and individual labor collectives (particularly those operating on a contractual or leasing basis) in the field of wages must be expanded still further. It is important, in fact, to create conditions for providing wage incentives for those persons who really deserve this, without applying any restrictions or ceilings (either spoken or unspoken).

#### How Do Matters Stand with Regard to Rates?

A sharp discussion is now taking place with regard to the rate system. Is it necessary? Do we need wage rates and salary schedules? And if the answer is yes, then in what form should we apply them? But if the answer is no, then what should we use to replace them in organizing wages?

The statute on the economic and organizational foundations of leasing relations has provided for the rights of leaseholders to independently determine the wage forms and systems. In this connection, lease-type collective must assimilate worker categories and determine their occupational composition as applied to the norms established for state enterprises.

Many cooperatives utilize wages in accordance with work days. If at a certain period in time paying wages on kolkhozes according to work days showed itself to be poorly effective in connection with the extremely limited, low payments per work day, in cooperatives engaged in producing goods and services payment of wages according to work days, as a rule, substantially exceeds the daily earnings of persons employed in the state sector. Moreover, very wide use of combining occupations is made in cooperatives. To our way of thinking, it is precisely this circumstance which is one of the basic arguments in favor of strengthening such a system of wages.

And in the majority of large-scale production facilities using a careful, precise division of labor, it is also necessary to provide for a well-founded differentiation in wages, depending upon such objective factors characterizing labor at each work place as the following: complexity of operations to be performed, skills, responsibility for the work being performed, conditions and intensity of the labor involved. It is undoubtedly true that the end results of the labor remain as the principal criterion. The aggregate total of all these objective factors, specifying the quantity, quality, and results of the work, must be accorded attention in a multifaceted way when organizing wages. And it is precisely the rate system, as has been shown in worldwide and our own domestic experience, which is an extremely effective tool for achieving this goal, inasmuch as it provides socially and economically justified correlations in wages.

At the same time, it is definitely important for the effective use of wage rates (particularly in making the transition to the second model of cost accounting and leasing relations) that we must combine the broadest rights of enterprises to determine the magnitude of rates and salary schedules with a specific regulation of correlations in wages and in providing a guaranteed minimum wage. In this regard, the rates and salary schedules could be, as it were, the minimal level of wages for those who have various skills and who work under various conditions.

The very magnitudes of the rates and schedules must, obviously, be systematically revised at least once every five years, whereas their specific level for a specific employee must be determined by the enterprise concerned. In principle, enterprises should have the rights (particularly as the collective and leasing contracts become more widespread) to use the rate and "above-rate" portion of wages, since they are deemed necessary.

If, for example, a collective decides that it is feasible to provide wages on the basis of a high rate level with a minimal portion of the wage above the rates and schedules, while, at the same time, applying strict, technically justified norms and normatives, then we should hardly hinder it in this matter. And if an enterprise considers it more effective to utilize a wage system whereby the rate portion is relatively modest, but wide use is made of various types of incentive payments, it would hardly be wise to object to such a wage organization either. It is possible that the entire "above-rate" portion should not be divided at all into bonuses, extra amounts, and supplementary payments, but should be determined with the aid of coefficients of labor or proportionate payment as a specific sum due to be paid to each employee.

In short, the organization of wages at enterprises can be constructed in various ways. The only principal thing to bear in mind is the following: in all cases wages must be paid strictly in accordance with the work performed. It is this which constitutes its chief stimulating importance. And the normative correlation certainly does not hamper the growth of wages, but only strengthens its dependence on the growth of production volumes and labor productivity.

#### Comments On Cooperative Movement Published

##### Negative Response

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Russian 31 May 89 p 10

[Article by Pavel Bunich, Corresponding Member of the USSR Academy of Sciences and people's deputy of the USSR: "Communicating Vessels"]

[Text] Commentary on letters from readers. The Editorial Board of LITERATURNAYA GAZETA is receiving many letters concerning cooperation. The majority of the authors oppose it and yet this majority is not indicative of the entire population. It is simply a case of those who oppose it, as borne out by the sociologists, write in to the newspapers on a more frequent basis than those who are in favor of it. And they generally do so in a more active manner.

##### Something Concerning High Earnings

L. Anisimova, chairman of the council of the labor collective and chief of the Department of Labor and Wages at the Maykop Factory, engaged in the production of cheap footwear for elderly persons, discusses the cooperative created at the factory, its production lines and the raw materials which it uses, materials allocated in accordance with state orders. These raw materials are paid for by the cooperative at raised prices and yet the goods are sold at even higher prices. It is now forbidden to do this, but earlier when it was done the collective tripled its wages. The author notes that the transfer of raw materials to the cooperative results in the state capabilities lying idle, the factory disrupts deliveries and pays fines. The lease payment for the production lines is

miserly. Since the collective "selects" only a portion of the raw materials, it does not use all of the factory's workers, who under the conditions imposed by such an irritating factor as the cooperative earnings, search for other positions for themselves (for example, during 1988 alone the number of cooperators throughout the country increased by almost tenfold or by 1,250,000 individuals). The final result is that the population loses cheap footwear. "Such cooperators rob the state which, for some unknown reasons, extends privileges to them and holds the state enterprises in check."

Two consequences can be derived from the last sentence: either the cooperative is suppressed or the state enterprise is enlivened. L. Anisimova favors the first conclusion. And the privileges extended to the cooperative were substantiated. Others could be added to them.

Taking advantage of the lack of interest in the state sector in operating effectively, the cooperatives are achieving raised payments for their services, they are not encountering competition and they are capturing new markets in a monopolistic manner. They are not making payments for labor resources and they are not paying taxes for local roads. Up until recently, their income taxes were considerably lower than the withholdings from state enterprises for the budget. Commencing 1 July 1989, the situation will begin to improve. But God forbid if the cooperative taxes are as high or higher than their state prices, as proposed by Candidate of Economic Sciences G. Shcherbovich in Blagoveshchensk. Excessive taxes will "knock out" the cooperatives just as the apple orchards were eliminated some time ago.

Workers attached to the state sector who receive a beggarly wage gain nothing from the fact that a progressive income tax is for all practical purposes not being withheld from their earnings, while cooperatives with triple the amount of income—realize strong gains. This disparity is also coming to an end. When there is an absence in the country of payments for land and for advantageously placed "busy" trade points (GUM [State Department Store], TsUM [Central Department Store], railroad terminals and others), then the income of state enterprises does not increase, the surplus is absorbed by a vigilant financial organization and that which remains—by the ministry. The situation is different for cooperatives, where each ruble obtained is placed at their own disposal and employed for consumption, savings or enrichment. The same can be said regarding the lowered interest rates for bank loans for cooperatives.

In addition to the advantages realized as a result of our oversights (they will disappear in the future), the cooperatives possess virtues which must not only be retained for them but hopefully disseminated to the state sector. The state orders for cooperatives have always been profitable and thus they willingly accept them. Today state orders are being issued for state agricultural enterprises. The cooperators are not bound by obsolete rules and labor codes. Excessive restrictions in this area have also been removed from the state enterprises, which in

all areas are being converted into lease organizations of the public type. Cooperators can distribute their earned developmental funds for the purpose of action (which sharply increases their interest in savings). Conditions close to this have been introduced for all lease organizations. The cooperatives pay the organs which represent them only to the extent that they are needed; they have other advantages which are still not available for the overwhelming majority of state enterprises.

How can this be?

If the cooperatives are eliminated, then their virtues disappear along with their shortcomings, with the chief virtue being a revival of interest in labor. Everything returns to one's own circle and these circles are unfortunately known. Thus it is believed that the solution for the cooperative problem lies in a two-headed approach: suppression of cooperation and a revival of the state sector. Then instead of suffocating the only healthy principle, such as communicating vessels, a distribution to all of society will take place. If cost accounting serves to interest the state enterprises in saving money, then the channels for the escape of state funds into cooperative pockets will be cut off.

#### How Can the State Sector Be Reanimated?

There are those who believe that this cannot be accomplished and that, to the contrary, it should be turned over to the cooperatives for retraining. In the process, references are made to the miraculous revival by them of unprofitable state enterprises. But this miracle is not so much the service of cooperation as it is the result of the stiffness of the economic flywheel. If strength is breathed into it, the giant will show that it is stronger in those areas where the capital-output ratio is high, where costly technical progress is needed and where massive amounts of products are being produced. In those areas where production must be private, flexible and small in nature—cooperation is stronger. There is a forest glade in which the state and cooperative enterprises can hunt simultaneously.

Thus the state sector appeals for rescue. The path to be followed—to authorize genuine cost accounting for it, with the coat being cut according to the cloth and life proceeds in accordance with the results achieved. And is it not this way at the present time? No, it is not. At the present time, it is possible to work well and to turn almost everything over to the country or to work poorly—and obtain almost everything from it. Wage norms (obvious for the first cost accounting model and concealed for the second) have been established for everyone, with poor workers being paid as good workers and good workers—as poor workers, that is, in a conversion for labor efforts the worst workers enjoy the best situation. Hence the circulation of enterprises not from below upwards but from above downwards, where a large number of them repose quietly and those desiring to leap forward are less and less. The proportion of unprofitable enterprises in the principal branches has

reached 15 percent (almost one out of every seven)! Among them there are those where the wages are greater than the earnings. The attempt to hold back an unsound increase in income through the introduction of still another second norm—the ratio between growth in wages and cost accounting income—is doomed to failure. At best, this ratio guarantees observance of the established wage norms and, at worst, it subjects them even more to the individual and equalizing complaints of the enterprises. The experience of recent months has underscored their helplessness and hopelessness. With such an anti-stimulating system, not only will we not proceed very far into the distance, but even short gains will be impossible.

Specifically, what measures are being proposed? In the Law Governing a State Enterprise, there are models but no cost accounting. In the Law Governing Cooperation, there are no models but on the other hand there is cost accounting. And this cost accounting, which is non-normative and free, must be tolerated. The term is not the best, since in the absence of general economic norms (taxes, amortization norms, customs duties and others), cost accounting cannot occur. In accordance with the cost accounting proposed, the algorithm for the disclosure and distribution of the income of enterprise workers is as follows. We begin with the earnings from the sale of goods. From this amount we deduct the material expenditures, the income taxes of enterprises, the payments for labor resources, interest payments for credit, lease payments, withholdings for insurance purposes, dividends for shares of stock sold, fines paid and payments for charitable purposes. Everything that remains belongs to the collectives and is divided up into wages and the developmental funds in the absence of any norms from on high.

Such a method for distributing the pie, when each knows that the more he works the more he will earn, stimulates growth in the pie itself: production volume, quality of the products, degree of their progressive nature and novelty and economic nature of production. Workers increase their income not through the distribution in their favor of the present meagre cost accounting earnings but rather by raising the "dough"—a new and increasing result. Many economists have expressed the hope of living until such an economic system becomes available and some of them spared no effort in the interest of breaching the wall of dissension and indifference. One of the letters contains the statement "Gorbachev is striking while the iron is hot." N. Slyunkova instills optimism with his statement that by the 13th Five-Year Plan a "conversion over from centralized norms for the distribution of cost accounting income and formation of the wage fund to a system for regulating them based upon taxation will have been implemented." This is borne out by recent decisions concerning the mass conversion of state enterprises over to lease arrangements, for which four norms are being retained up until the beginning of the new five-year plan: individual payments into the budget, a healing ratio between

growth in wages and cost accounting income, the fund for the development of production and the state order. Only the first two norms remain for agricultural enterprises. Why is it necessary to wait one and a half more years?

### First Achilles Heel

The introduction of free cost accounting in the state sector borders upon price regulation in cooperation. It would seem that this is far off in the future. But actually it is close at hand. Many people are disturbed by the buying up by the cooperatives of deficit state goods at low prices for cosmetic refinishing and then resale at exorbitant prices (L. Voronova in Minsk, V. Tsvetkova in Sverdlovsk, L. Osinskaya in Kiev, V. Tyurikova in Rostov-na-Donu and many others).

Exorbitant prices constitute the first achilles heel of cooperation. What can be done to counter inflated prices? A sigh and a gasp—nothing changes. Close the cooperatives—the departments of shady economic will once again flourish. Expand the prohibitions against the sale to cooperatives of state products—there will be an increase in "bribes." Remove all prohibitions against the acquisition by cooperatives of state goods at today's comparatively low prices—nothing will remain for the usual customers.

In principle, the retail prices are in need of changes, since they are not in keeping with the normal proportions or international ratios, which is bad generally and with growth in purchased by foreigners—doubly so. Only they cannot be touched at the present time. The low standard of living for a majority of the population precludes the possibility of risk being accepted by those who stand to lose something. How can the shelves of stores be filled if there is so much money that one fifth of each ruble is used for bartering? If for a long period of time there have been neither cheap nor expensive goods available?

First of all, we must soothe the production demand, which in the absence of cost accounting scandalously sorts through the resources. Once there is genuine cost accounting—purchases will be considerably less and more goods will be available for sale. In the process, let us increase wages among the better enterprises and lower them among the worst. Those who add a real plus to the market will receive more and not those who over-fulfilled lowered production and profit plans. In other words, the actual result should be encouraged, as is the case in cooperatives, and not a high degree of fulfillment of deliberately reduced tasks which make us into world leaders. This does not increase inflation but lowers it, since it sinfully pays for idleness and not for work.

Secondly, to shift a portion of the production of means of production over to the production of consumer goods.

Thirdly, to calm the rush demand through temporary growth in the importing of consumer goods.

Fourthly, to establish demand and supply prices for a majority of the goods being purchased by cooperatives and state enterprises. Including for distributed centralized funds and logistical resources in behalf of state orders. We will then have not the abolishment of costly coefficients, on the basis of which cooperation purchases a portion of the state goods, but their replacement by correct wholesale prices for all enterprises. A standardization of prices undermines the machinations surrounding their poor diversity and eliminates the exhausting struggle against losses in public resources. Indeed the repurchasing of goods in stores is possible so long as they are cheap. In the final analysis, even the concept of speculation disappears together with articles concerning criminal punishment, which as a rule are purely declarative owing to the inability to prove the *corpus delicti*.

The prices for deficit goods can be raised (but not on a mandatory basis) and this is not a problem: if the income from the sale of all goods is turned over to the production-enterprises (which derives from the non-normative cost accounting model) which, in order to have raw materials and other materials and sell their products rapidly—are shared by them with their suppliers (and these with their own suppliers) and stores, then the earnings will increase.

Official income mark-ups based upon a true price index must be established for persons on fixed incomes.

The connecting up of the state sector, with its strong production volumes, to free price formation, will have an immediate effect upon the prices for the products of cooperation, which then will be raised to an inaccessible height, with the usual enterprises failing to release their products on the market and with a general absence of competition. "In order for shashliks to be cheaper," writes Yu. Aristov from the city of Volzhskiy, "let us organize them with each step taken. Let us return to our villages and let us raise livestock in a manner such that a kilogram of meat on the market will cost 1 ruble and 20 kopecks."

The increasing income of state enterprises will be used not only for growth in earnings but also for increasing investments, including some which are not altogether profitable. Indeed the new batches of profitable goods, even with a certain reduction in price for each item, will increase the absolute mass of income and, in the manner of a magnet, "draw" the resources of enterprises into additional capabilities and stimulate the material-supplying branches. This then is the beginning of a trend towards a reduction in prices.

When converting over to supply and demand prices, the officials of Goskomtsen [State Price Committee] tend to "lose." The very existence of this institution is threatened. Many of its functions are disappearing and others are being transferred over to larger governmental structures and enterprises.

### Second Achilles Heel

L. Ivanova in Moscow Oblast is indignant: she paid 215 rubles to medical cooperatives and did not receive in exchange one kopeck's worth of health. "Who will return the money?" asked the author of the letter. V. Tyurikov discusses a contaminated "Ptichye moloko" [pigeon's milk] cake produced by cooperators in Kemerovo. The low quality of many cooperative products and also services provided by cooperation—this then is the second achilles heel.

It bears mentioning that such incidents have been noted taking place in the state sector. We recall the mass rejections of television sets, automobiles and footwear. Yu. Aristov writes: "And you are interested in what is happening in our favorite public eating establishment: the prices are in keeping with the names of the dishes and yet their content and weight leave a great deal to be desired." However, nobody has raised the question concerning the closing of the state enterprises and yet this question has been raised in the case of cooperatives. And not only has it been raised but it is being solved. In particular, they closed a number of medical cooperatives which, in the opinion of V. Sapozhnikov in Leningrad, are on the whole furnishing better assistance to patients than the state polyclinics.

It is my hope that the growth in services of the newly awakened state sector and the expanding cooperatives will create competition and improve the quality. The rear services organizations are also improving their operations on this same basis—good raw materials and progressive equipment are appearing. Sanctions must be established for poor work by cooperatives, which allow the victimized party to make a selection between the return of money or the replacement or repair of goods (which assumes their mandatory labeling).

When people wish to work in a worthy manner, the workload of the control organs declines. And with the creation of other conditions for their efficient work—the services responsible for quality will begin to perform in like manner as services in certain backward kingdoms and states. That is, another lever will be activated—this time administrative-economic—for ensuring proper quality in the goods.

### To Begin and To End

The readers are dissatisfied with the fact that cooperators hire people for labor agreements, viewing this as exploitation that is forbidden by the USSR Constitution. Such is the opinion of G. Shcherbovich, V. Tsvetkov and others. True, V. Tsvetkov wrote in to state that the "Siluet" Cooperative (Alma-Ata) pays seamstresses from 250 to 1,300 rubles monthly for less than a full working day and the Sverdlovsk "Shveytnik" Cooperative—500 rubles. In the opinion of the author, the solution for this situation is to prohibit the use of hired manual labor for a cooperative's principal activity. Yu. Petrov in Rostov Oblast did not share this opinion: "It is pointless to discuss exploitation in this instance, since the workers

were paid everything down to the last kopeck in accordance with the state rates." And this applies even more when they are paid higher than these rates.

Naturally, the workers attached to state enterprises are themselves not exploited. In the case of the free cost accounting model, wherein enterprises are authorized to distribute income, they will begin paying wages to themselves according to an optimum figure rather than a minimum one. And the wages for those who are drawn into cooperatives on the basis of labor agreements are based upon compensation available in the state sector. Thus it cannot be reduced to the appearance of exploited income but to the contrary—it will always be higher than that at state enterprises in the interest of being able to attract people. The correctness of wages based upon labor agreements will begin to promote growth in production and an increase in the demand for hired workers.

"The cooperative villains generally allow themselves to do nothing—mediation between producers and consumers is not considered to be work!" The advocates of such an evaluation of mediation activity believe that labor organization, a study of the market, supply, marketing and other administrative inputs create nothing and are worthless. It is true that this work does not always involve heavy physical effort, but on the other hand it is associated with enterprise, initiative and inventiveness, all of which are also of value. Specialized administration is more effective and more economic than non-specialized administration that is carried out at the same time with material production by all of its participants. In terms of global questions, each cook must administer the state and yet if we are speaking about all matters—we will be deprived of cooks and also intelligent administration.

On the other hand, Yu. Petrov emphasizes the correctness of high earnings for cooperators, including administrators: they work more rapidly and they have fewer officials and workers. The author is correct when he states that the super-income of cooperators develops for all practical purposes in the offices of state enterprises.

The overall conclusion is that in the absence of a genuine and radical reform of the entire economy, nothing sensible will come of the cooperatives. A healthy molecule cannot live in a sick cell: it will either degenerate or be rejected. A bold turn towards the laws of the market is needed. From a practical standpoint, we are at the very beginning. For the chief concerns of perestroyka—transformation of the attitudes towards socialist ownership, true cost accounting, shares of stock—have still not matured to a full-fledged embryo. Hence, there must be a beginning and an end.

I have tried to evaluate in an objective manner the virtues and shortcomings of the existing cooperative forms and to reveal the prospects for their development. I wish to state that I have no special interests either to embellish the situation or to dramatize it. Thus I ask the

readers not to blame me, as L. Voronov is doing with regard to G. Faktor, the author of the article entitled "No, it spells trouble!" (LITERATURNAYA GAZETA 11 January 1989), in that I am defending offended self-seekers. The volume of work by cooperators, equal to 0.4 percent of the total social product, does not explain the misfortune of millions. But, as is known, it is important to diagnose illnesses in a timely manner. During last year alone, the scale of cooperative production increased by a factor of more than 17. The boom is continuing. Thus solutions are needed for the cooperative problems on an urgent basis.

### Positive Response

18280144 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 3 Jun 89 p 3

[Article by Ye. Ponarina: "Hope For the Enterprising"]

[Text] Allow me to present Rizoali Odzhiyev, a deputy from Dushanbe. During the congress he was a representative of cooperation of a new formation—not the union of consumer cooperatives, nor the kolkhoz movement, but rather he represented those who, after leasing a production department with old equipment, commenced operations according to a new plan.

[Ponarina] What complaints are you hearing regarding the cooperators?

[Odzhiyev] One must be able to separate the wheat from the chaff in these complaints. A thorough evaluation of the cooperative movement is just as unpromising as euphoria. Cooperation is a very complex phenomenon. It involves much rabble and yet one must realize—if they so desire, these people can still build a "Buran." Should their creative and organizational potential be rejected simply because we are unable to direct it? We are forever trying to make everyone look alike. But the cooperatives must be separated apart by rank: those who help people to live are stimulated by taxes while those who profit from their misfortunes are restrained.

[Ponarina] But in the hall of the Palace of Congresses, I have heard more than once that the cooperatives have brought us inflation and shady economics and that they have reached into the pockets of workers. It is implied that if events develop in this manner the enterprises may end up in the hands of smart dealers.

[Odzhiyev] The wolves are feared—one does not go into the forest. Who cries out? Yes, it is those who under the same conditions which confront us work incomparably worse. When people lease a shop or sector, they display thrift down to the last nut and bolt and take nothing that is not needed. And at a plant? Imported equipment can fall apart under one's nose and yet nobody seems to care: they maintain that the money did not come from their pockets.

Yes, the cooperators look for income. And what is wrong about this? It has always been considered normal to earn money for oneself or for one's family, while begging has

always been frowned upon. Have you not wondered why we have so few personalities? It is because only an economically independent individual can become one. Those who have a pyramid of chiefs above them—from brigade leader to the minister—live with the psychology of a slave. And we need masters. At the present time, we find only one or two and we idolize them. But we need 280 million masters in order for life to be different.

[Ponarina] Will such a life come soon?

[Odzhiyev] That depends upon the cooperators. Yes and also upon how quickly they are able to disseminate their thinking to the people. At the present time, about 20 percent of the people in society are able to think economically. Thirty percent are neutrals and deep thinkers. The remainder are close to conservatives. Once there are 40 percent who think economically, society will be different.

I have deep respect for the cooperators, who at the present time have moved out into the international market with their products. This must be our goal and we must support it legislatively. Or there is still another

possibility. If a cooperative fulfills a state order or an order from its city or settlement, why cannot it be guaranteed a planned supply? And then it will either be sold raw materials at a rate that is 4-5 times more expensive, or the materials will generally not be sold and it will be provoked into planned thievery.

[Ponarina] If we could see how many submerged rocks there are in cooperation, would we enter its waters?

[Odzhiyev] Today this is the only method for earning enough for ourselves and for helping those in need. As former Afghans, we decided to organize a cooperative in order to have the resources needed for our own existence and for supporting the families of those who perished. And finally, in order to have money for our teen-age club. It was for this purpose that we leased a shop. But people were working there. The majority were already adults and some were waiting for their pensions. Were they to be turned out to the street? We concluded agreements with each individual and guaranteed that he would earn no less than his previous wage. Thus, not only are we not fleecing them but in addition we are not forcing them to undertake a risk with us.

## ORGANIZATION, PLANNING, MANAGEMENT

### Ulyanovsk Tool Making Design Bureau Adopts Lease Contract System

18230057 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 16 Jun 89 p 1

[Article by A. Vorobyev, Ulyanovsk: "Design Bureau  
Contract"]

[Text] A designer-leaseholder. Is this not a strange combination? Nevertheless, the practice of implementing a radical economic reform has brought forth this form of production relationship. Since 1 January, the collective of the Ulyanovsk Leading Special Design Bureau for Heavy Duty and Milling Machines has converted over to the lease contract system in accordance with an order handed down by USSR Minstankoprom [Ministry of the Machine Tool and Tool Building Industry].

"The Ulyanovsk GSKB [state special design bureau] is a pioneer in the use of the brigade form of labor in design bureau organizations," stated the chief of the bureau B. Sklyarov. "We have employed the brigade form of labor since 1980. It aided us in taking a large step forward. The number of workers declined by 14 percent and the volume of work carried out increased by 22 percent. The designers began to receive more—the wage fund was raised by one third. And labor productivity increased by a similar amount. Success was realized in raising the technical level of the various works being produced, in uniting the collective and in retaining personnel despite the appearance of a strong competitor—an aviation complex that had just entered operations. But notwithstanding all of their plus factors, cost accounting and self-financing still generate some negative tendencies. A lack of attention to the more important aspects of work is one of them. In striving unilaterally to obtain wages and profit, the cost accounting subunits are more than willing to undertake work involving small volumes and short completion schedules. They evade work of a research nature involving a large degree of risk. There have been no increases in the number of studies undertaken or in the number of new developments: the leading plant requires only design bureau documentation."

"Boris Vasilyevich, is it not true that you attach special importance to your relationship with the leading plant, since you belong to the same association?"

"Yes, it is here that we find problems. The former relationships—consisted of interaction between a chief and a subordinate. Cost accounting is not eliminating this shortcomings in the improvement and creation of new equipment, but rather it only intensifies the unilateral economic sanctions. Last year we received a state order for design bureau work on the order of 120 percent! At the same time, the scientific-research work was financed by only 60 percent. The experimental base is not being developed."

"On what principles are your lease contract based?"

"First of all—a non-normative distribution of income and contractual relationships between the leaseholder and the state in the form of the ministry and the association. Rejection of the order method of administration, subordination relationships, a conversion over to economic relationships and partnership relationships. We concluded a contract with our association governing the conditions for economic interrelationships. In behalf of the state, it has turned over to us on a lease basis the production buildings, installations, equipment, transport means, property and normative working capital for the period up to the year 2005. The GSKB is obligated to ensure a regime for the reproduction of fixed capital and for the its repair and renovation so as to make it possible to increase the volumes of scientific-research, experimental and experimental-design work. We ourselves will introduce into the state budget a fixed tax for computed income and a payment for labor resources and leased funds and resources in conformity with the existing norms."

"The bureau is authorized to transfer over to other organizations, to sell, exchange or lease buildings, installations, equipment, implements, raw materials and other physical assets and also to write them off of the balance as they become worn out. The mutual rights and obligations are spelled out in the GSKB agreement with USSR Minstankoprom."

"Can you use specific figures in describing the allotment of the cost accounting income planned for 1989?"

"Surely. The GSKB gross income will amount to 4 million rubles. Roughly 1,300,000 rubles will be used for materials, social insurance, the state budget and for amortization withholdings. Thus the cost accounting income will amount to 2,700,000 rubles, of which amount 2,130,000 rubles will be assigned to the unified wage fund, 290,000—to the fund for scientific-technical development and 280,000—to the fund for social development."

"What relationships are developing within the design bureau?"

"The former design bureau brigades have been transformed into cost accounting departments consisting of from 30 to 70 individuals. They themselves make the decisions concerning the work to be carried out and the availability of funds in their accounts and they conclude contracts with clients and the GSKB administration for each subject. Between the departments there are also cost accounting relationships which are regulated by a special cost accounting committee."

"Boris Vasilyevich, is it not true that you have a distant goal?"

"We expect that by the year 2000, thanks to lease arrangements, the volume of work carried out by our own forces will increase by a factor of 1.5 and labor productivity by 60 percent. By this time, we expect to

raise the capital-labor ratio for a designer by almost twofold and to solve a number of acute social problems."

What else can be added to the story related by the chief designer? A flexible work schedule has been introduced. Each individual must be located at his official position for a period of from 10 to 16 hours. What remains can be completed at any time. The STK [labor committee council] intends to increase the wages for non-smokers. The plan for the first quarter was fulfilled in terms of all of the indicators. A longitudinal milling-boring processing center was created for Japan! An edge-planing unit for the processing of thick-walled large diameter gas pipe was turned over for operation.

After great difficulty and having surmounted hundreds of administrative obstacles, the collective finally reached a lease arrangement. Twenty visas in the ministry and dozens of trips to USSR Gosplan and other central departments. But the chief organizational difficulties have been overcome. The designer-leaseholders have become an objective reality engendered by perestroika.

#### Activities of Leningrad Energomash Concern Described

18230053 Moscow IZVESTIYA in Russian  
6 Jun 89 Morning Edition p 2

[Article by V. Romanyuk, IZVESTIYA special correspondent, Leningrad: "Taking it upon Themselves: How the Leningrad Energomash Concern Is Operating"]

[Text] Who is not familiar with such famous collectives as Elektrosil, Izhora Plant, and Leningrad Metallic? Since July, 1988, having left their ministries, they, along with a dozen other Leningrad plants and technological and planning institutes, established an inter-sector state association [MGO] with a total production volume of 1.5 billion rubles per year.

An alternative to a ministry? "No," B. Fomin, Elektrosil's general manager and the concern's chairman of the board decisively objects. "We are sparing the ministry from operational management functions and giving it the capability to concentrate on future national economic problems. It was calculated that the center was carrying out contacts with enterprises along 800 channels. And, as they say, the main offices and management were producing regulations instead of conducting an active business."

Energomash was formed with an orientation toward output of a suite of electric plants or its components. Not everyone was ready to conduct business without ministerial guardianship. At first, plants which are part of the concern had to request credit many times and payment of salaries was held up for five to six days. But they soon put out this "fire." Now its own joint-stock Energomash-bank tracks the enterprises' financial activities. L. Talmach, bank chairman of the board, sees its main task in ensuring the maneuvering of the excess financial assets of enterprises which are part of the concern. The bank's charter fund is 20 million rubles. The first credit has

already been extended—the Neva Machine Building Plant obtained 3.5 million rubles for production development purposes. The bank also renders factoring services: It has purchased Elektrosil's right to recover suppliers' debts. For those who desire to issue stock shares, the bank is ready to provide services for their storage or sale. It also intends to conduct innovative operations. In particular, Energomashbank, jointly with the Leningrad Metal Plant, is accepting share holdings for organizing production, based on foreign technology, of goods which are in short supply here. Exactly which ones and where? This is a commercial secret for now.

"We will be working for the client," L. Talmach repeated several times. "Without the client, there is also no bank. And the profits we receive will return to the concern's enterprises in the end in the form of dividends. The enterprises are our shareholders and founders at the same time."

I am reminded of the sentence I heard in Leningrad: "The central apparatus will be left without work to a significant degree if horizontal interrelationships function efficiently." The concern's executive management, hired by the board and paid with the enterprises' assets, is tasked with solving common problems which affect all enterprises, regulating "horizontal" ties, and accessing central union departments. The fact that management does not issue any orders is its peculiarity. Public councils on trends have been established within the concern—chief technologists, chief designers, and a standardization council, etc. The capability has emerged to effectively and, the main thing, comprehensively resolve problems which were considered to be "not to be raised" under the previous structure. For example, a discussion has been conducted for two decades around the GTI-150, a new gas turbine with an increased unit capacity. Now the efforts of Leningrad Metallic [Plant], a turbine blade plant, and VPTI [All-Union Planning and Technological Institute] Energomash have been united for a practical solution. Now executive management is developing technical proposals on specialization of production of common machine building products for the MGO's needs. Let us assume Elektrosil intends to develop plastic production, Sevkabel will examine an assortment of cable items, and Izhora plant will look into metal rolling.

The concern has already had the capability to demonstrate its potential. Organizations from the GDR proposed a profitable contract to the Mintyazhmash [Ministry of Heavy, Power, and Transport Machine Building] for delivery of a nuclear electric power equipment suite. Atomash could not manage within the time periods set by the purchaser. The order went to the Energomash concern whose enterprises—Izhora Plant, Elektrosil, and Leningrad Metallic Plant—confirmed the strict time periods for executing the order and signed a joint contract. To accelerate work, Izhora took responsibility for developing a number of subassemblies for Metallic Plant. The advantages of the concern as a new management structure were also manifested while resolving

consumer goods production problems. Having joined forces and assets, they decided not to disperse [production assets] but to build a whole plant for output of electrical home appliances. This will allow production of three times as many consumer goods for the population as the concern's enterprises produce today. We can imagine how many agreements and meetings would be required if the plants were separated by departmental partitions.

G. Gaydishev, technical director of Energomash MGO executive management, told me that he does not sign any orders, "There simply are not any. But the concern's board, in contrast to the ministry, also does not interfere with plant business. It can examine the situation, if let us say, someone has sales problems, point out strategies for re-orienting production, and possibly create a new joint enterprise."

"When the center drew everything to itself, suggesting that it promoted organized work, the directors sat and waited for the next command," says B. Fomin. "Now everyone has to work intensively. Some enterprise will be born as a result of changes in the situation and others will also be brought to ruin. But in principle, a triangle is sufficient for successful operations: The supplier—the consumer—the banker. The center's task is to determine the future, consolidate specialization, and [track] investment trends."

"What is a concern, is it an attack against the ministerial structure?" I attempt to find out.

"No, not an attack, but a search for an optimal form of management in accordance with the Law on State Enterprises."

As for a concern's structure, it will obviously still be improved. They have taken the regional principle as the basis for the time being and they would like to also have Krasnyy Kotelschik [Red Boiler-Maker] Association and Zaporozhe Transformer [Plant] as part of the MGO... The concern does not have its own instrument building enterprises and it has to build a plant, based on stock sales, for manufacturing power plant parameter monitoring and measurement instruments.

There is another problem which has already been discussed at the MGO board, maintenance servicing of energy industry equipment and such a system operates throughout the world. The Energomash board decided to create its own cost accounting firm and to service one or two energy industry systems in the beginning. The people I was talking to said that they intended to join together more closely economically: Supporting each enterprise's welfare, they are going to establish considerable centralized resources adequate to guarantee assistance to everyone who needs it.

I thought: Would such a system not be too isolated within itself? Are we not reviving monopolism in a new form which is what the ministries are oriented on in their present form? Experience shows us something else for

the time being. All new enterprises are being drawn into Energomash's internal integration. Here is an example: Production development of vacuum cleaners has been held up at Energomash—there were not enough suction assemblies. Miaskiy electronics plant was supplying them. The Leningrad enterprises began helping reconstruct this plant, manufactured the necessary equipment for it, even delivered the materials, and are now rendering technical assistance. And in exchange—an increase in suction assemblies and participation in Miaskiy plant's profits. And no charity.

The concern is also involved in programs which even if mighty potential is not sufficient to resolve. For example, Energomash combined its capital with Tekhnokhim, another Leningrad concern, and a number of other Leningrad associations for jointly solving the Housing-2000 problem. The concern became one of the stockholders of a home building combine with a capacity of 250,000 square meters of housing per year. DSK [home building combine] will also manufacture and assemble cultural and living facilities, that is, a comprehensive construction of microrayons.

However, I would not like to convey the impression to the reader that the Leningrad concern has been a complete success. The new structure which Energomash has exists in a system of an unregulated, and in many elements, an old economic mechanism. A reaction of tearing away is not going on but, rather, implementation and an attempt to transform a concern into an enterprise, a former economic mechanism. Essentially, nothing remains as before: Limits, standards, and budget allocations. While acquiring independence, the concern is not freed from the routine work which the ministries formerly conducted. The central apparatus requires that we assume, demand estimates, their defense, and compilation of consolidated orders. Energomash jointly with Tekhnokhim has appealed to USSR Gossnab to transfer them to wholesale trade. Incidentally, L. Verbitskiy, chairman of USSR Gossnab, has repeatedly stated that wholesale trade must become the basis of the principles of suppliers' activities for it is impossible to introduce cost accounting and ensure the independence of enterprises without it. And in fact? In fact this appeals is opposing the introduction of progressive forms of operation in every possible way. The Leningrad enterprises are convinced: The territorial agency of USSR Gossnab must become the resource manager. Specifically, Leninglavsnab [Leningrad Main Supply Administration]. Having the resources on hand, it can carry out maneuvers, decrease shortages, and ensure rational distribution. Meanwhile, resources are doled out bit by bit to departments. I read soem correspondence USSR Gossnab stressed exactly this circumstance in refusing to have anything to do with wholesale trade. It was not even bothered by the fact that USSR Gosplan [State Committee for Planning] agreed to transfer resources distributed in a centralized system to supply agencies. In short, the transition to over-all supply of resources in a wholesale

trade system has not taken place in Leningrad.

Although Energomash was ready to transfer both numbers and substantial assets to the establishment of an appropriate cost accounting subdivision under Lenglavsnab.

I talked with N. Ustinov, deputy chief of Lenglavsnab, about this. No, it would not assume responsibility for "over-all supply," and evidently did not want to. Let, he said, Leningrad concerns as holders of capital themselves create cost accounting subdivisions and they themselves can be concerned about supply. Well but suppliers will assume some responsibility for "information supply" and promise to help in establishing direct ties, etc.

When I reminded B. Fomin that Kvantemp, a Moscow concern, had created its own supply and sales firm, he shrugged his shoulders: "They are yielding immediately but we are yielding slowly." They have moved away from the administrative system but now the centers are imposing the old "rules of the game" with the difference that the inter-sector state association must carry out the ministry's functions.

We have already said that, in leaving ministerial guardianship, the concern is, in principle, not subordinate to anyone. But, in so doing, this element slips out of the administrative-bureaucratic system to whom everything is subordinate. And it will not forgive this. Telegrams addressed to Energomash say: "Your plant disrupted deliveries, bring influence to bear." Meanwhile, they ignore the fact that the concern was created on a voluntary basis and it is a union of equals. A directive came in from USSR Gosplan once: Provide a calculation of production capabilities. This was Energomash's reasonable answer: Why? It was needed when Gosplan planned our program, but why do you need it now? For compiling a total balance for the machine building complex, the answer followed. So ask the statistics agencies!

You must pay for everything in life. Including the right to independence. For this, earliest of all. Plants leaving ministries stopped paying money into ministry funds. Someone is not above seeing "group egoism" in this fact. But really they have also stopped receiving from the center. Including free money. Costs were not previously considered during creation of a new item—the money is not ours, it is the ministry's, now—it must be [considered]. And wasteful expenditures have been reduced. If a purchaser needs a new item, let him pay his share or let him be satisfied with the old one.

The establishment of concerns, if this structure does not remain an economic oddity, requires decisive restructuring in the upper echelon of management. Moreover, all ideology in the center, limit, standard, and order [ideology], remains as before. Under this onslaught, the Leningrad enterprises told me, the concern will not survive long and it will have to go under the wing of the bureaucratic system in the end.

"I want to operate like an entrepreneur," B. Fomin. "I have money and I want to build a shop, but not in a 5-year plan, in six months. They tell me: Build it on your

own [khozsposob]. Well, I do not have any materials or equipment...or people. I will build in a dozen years and I will lose time and I will freeze my assets. And I know examples when a plant—not in our country—was built in eight months altogether."

We are moving away from the administrative-bureaucratic methods, this means that goods and money relations must replace them. And they require a free market—material, financial, and labor resources. We need to access the world market and the concern is ready to do this. It has really assumed responsibility for satisfying the nation's needs. And it seeks only one thing for itself—full rights. Broadly declared, but incessantly curtailed.

### Low Market Demand, Stiff Competition Plague Atommash

18230052 Moscow PRAVDA in Russian 6 Jun 89  
Second Edition p 2

[Article by V. Antonov and A. Nikitin, PRAVDA special correspondents, Volgodonsk-Moskva: "Competition—Is It Practicable in Our Industry?"]

[Text] The sun-scorched moorings at the Tsimlyansk Reservoir make one wonder. They were built here at Volgodonsk so that the products of Atommash [nuclear power station equipment plant] could be sent by waterway throughout the world. But these moorings are empty today. Indeed, they will probably remain this way tomorrow as well, because the gigantic plant is running at only a third of its capacity. How can the collective and its partners live under these conditions?

In telling this story it would be necessary to give the names not only of the directors of two industrial giants, but also of many managers of former main administrations and present-day ministries. But... Under conditions of perestroika they are also going along unbeaten tracks. So perhaps for a beginning we have to look into everything without emotion and personal resentments.

The first misfortune that befell the Atommash employees is associated with the events of 1986 in Chernobyl. Everyone quickly divided up into supporters and opponents of AES's [nuclear power station]. The only bad thing is that in the heat of this skirmish both sides did not notice how they threw the baby out with the water. They forgot that in all of the pluralism of opinions there is no complete replacement of AES's as a source of energy today. The highly developed countries have come to this conclusion. France obtains 70 percent of its energy from AES's. At the present time, the United States has reduced the rate of nuclear power station construction, having fully satisfied its electric power energy requirements.

And inasmuch as the further development of society, and indeed its overall existence, is impossible without energy, it turns out that for the time being nothing is left but to build AES's. Only 12 percent of our energy is of a nuclear origin.

An alternative has to be sought. But for the present we are in a kind of trap. The main thing now is the safety of stations. And this, as a matter of fact, is what the Atomash employees are betting on. But instead of a fitting evaluation, they turned up on the threshold of their own irrevocable burial.

What is not understandable yet is that perestroika unwittingly may become the second "gravedigger" of the Volgograd workers. No, this is not a slip of the pen. It is indeed perestroika with its pluralism, the creation of a commodity market, and its competition, including competition in nuclear power equipment. The fact is that along with Atomash, this very same field is actually being covered by the "Izhora Plant" association, which today is part of the growing Leningrad Energomashstroitelnyy [power equipment construction] concern. And so it is at this very moment that orders for Volgograd reactors were cut sharply like shagreen leather. The lion's share slipped away to Leningrad.

"But what do you want: Perestroika is a free market. Finally, we have a choice in at least one item. Which of the two contractors is better, the customer will say. And if he selects Izhora, of course, it is for that reason. Let the Volgograd competitor reprofile," uttered an official, who is "restructuring himself," before anyone else could say anything.

"Well, if you are asking the question pointblank, who is to live and who is to die, then first of all we must be concerned about the Izhora workers. This will be understandable even in political terms," another seconded.

"The quality of production at Izhora is higher. Moreover, Atomash interrupted contractual deliveries more than once," a third summed it up under his breath.

"I do not see anything terrible here. The Volgograd and the Izhora employees are under equal conditions. Let them fight for survival in competition," another said as if drawing a distinction.

In the meantime, only one fact remains valid here. There is still no competition in our deficient industry. Only two are in this very unusual situation: Atomash and the "Izhora plant." But allow us not to agree with respect to their being on equal terms.

On the one hand, there is Atomash, which has not yet gotten on its feet with regard to some individual unfinished items and which does not have anything to its name except debts. On the other hand, there is the "Izhora plant," which is covered with tradition and is very prosperous. On the one hand, there is the Volgograd plant, which is narrowly specialized in all of its services, and which, as the fibers of its soul, concentrates on the nuclear field. On the other hand, there is the Izhora plant whose nuclear production hardly takes up a fifth part. Thus, one has wide maneuverability and the other has none. Are these really equal conditions in economic competition?

Indeed, what can one say when overhead expenses, because of the idleness of very expensive equipment at Atomash, topped out at a thousand percent while it is much less at Izhora. What kind of equal conditions are we talking about when the monopolist in metal—the "Izhora plant"—yesterday demanded two times the price for metal and threatens Atomash with a loss of almost a million rubles?

Finally, the fact cannot be discounted that many "father-commanders"—apprentices of the same "Izhora plant" or from one of its enterprises of the Leningrad concern—today directly influence the distribution of orders. You will say that we are hinting at the well-known Griboedov phrase: "Well, how can one not oblige a friend?" Then in what ways can the facts be explained which we learned about from eyewitnesses?

The Atomash employees themselves found a prestigious foreign customer. Foreign specialists are straining to get to Volgograd to become acquainted with future suppliers. But the "managers" in Moscow say: "You cannot go there, they are in a restricted city." Is this not the Volgograd that is the most peaceful of peaceful cities, open to all winds, which to the people is a small town in the steppe?

"Believe me, we were ready to fall through the ground from shame when we were told about this by specialists from the GDR," and the Atomash employees still have not been able to recover. Indeed! Because of such manipulations the prestigious and profitable order is slipping away (or has it already slipped away?) to Izhora. Particularly since it was hinted at to the customers in Leningrad that they could not produce a turbine they needed in time if they did not also order a reactor unit from them.

The Atomash employees are themselves again in line for a promising order for a reactor-cracking unit. A contract has been signed, the technology has been worked up, and production has been readied. Even the manufacture of the first reactor has been started. And suddenly an official letter arrives: We ask that you consider the contract to be invalid. Where then did the order go (or where will it go)? Not only is the future of Atomash being cut at the root, but again an additional almost R6-million loss is being unloaded on it.

From where did the winds blow? Did they really come from the Don steppe? No. The "Izhora plant," as a monopolist in metal for reactor-cracking units, held up its delivery to Atomash under various pretexts.

Pay attention: The quarrel between the two plants heated up specifically over reactors, precisely that item for which Atomash never broke its contractual obligations. On the contrary, it is these very orders that it fulfilled ahead of schedule and with high quality. Here they are specialists!

This then is pluralism, the striving for equal competition on the Soviet market.

Excuse us, this is no kind of competition, but rather it is the "law of the jungle." Even in a capitalist society competition is controlled by law. Both owners and the government fight against the monopolism of concerns. But here it is created artificially and it is lavished with praise. Are they repeating the elements of capitalism? In no way.

We think that competition left loose in our society without any control cannot lead to anything else. Take just one more example of the "competition" between the Volgodonsk and Izhora employees. The one who will win in such cases is not the one who is stronger and more talented, but the one whose administrative "arms" are longer and whose telephone calls are weightier.

Of course, a socialist market is necessary, because genuine perestroika does not make any sense without it. But as in any market, as well as in our restructuring market, there must also be a unique kind of direction. Free market relations cannot be left to the spontaneous will and the elements. In the end, even the waves are not free. They subordinate themselves to different winds.

Now we are not talking about a regulated, strictly parceled out stream of creativity, but about elementary decency and, more properly, about putting things in good order. Immediately after a sharp reduction of orders in the nuclear field, the interested ministries, together with the managers of the USSR Gosplan, sat behind a "roundtable" and, with state, but not narrow departmental, positions, not even personal sympathies and antipathies, calmly and accurately sized up the reduced "pie." There would be fewer losses and misunderstandings.

And perhaps the reason they did not sit down is that a comparative analysis of the two enterprises—"for" and "against"—would clearly be in favor of Atom mash. In any case, a fourth would also have to be present among the three behind the "roundtable." Perhaps it would be one of the most independent participants, the assembler. And his opinion, expressed, for example, by A. Kovshov, the deputy chief of the association "Energomontazh" (energy equipment assembly) of the USSR Minenergo [Ministry of Power and Electrification], would be very important.

It would very likely be a mistake if we sank Atom mash. Who but us, who has direct dealings with the products of both plants, would know whose is better? There is reference at times to the Izhora-produced Finnish reactors as a standard. But it is our specialists who did such a thorough job. And how? With the help of a hammer and under the conditions of a construction site. In the end, there was a repeated extension of the construction periods and considerable over-expenditures. But the main thing is the moral losses. The whole world laughed and pointed at us at how not to work. I can say about the Atom mash reactors: They are much better. We assembled them not over many months, but in 2-3 weeks.

But the traditional "managers" of orders did not make an elementary comparative analysis. They did not listen to the assemblers and the clients. This has to be kept in mind for all industries in the future. Because, no matter how difficult it is now, we will have a market with its selection. And not only in nuclear equipment construction. It is as inevitable as perestroika itself. And it is very important not to lose time. To direct our perestroika not along a "jungle" path, but in a socialist channel, economic competition on a competitive basis, on the basis of equal rights. The situation indisputably dictates. Atom mash should not be lost, even at the possible expense of Izhora.

Although, excuse us, what kind of damage can there be here? Will it be comparable to the national losses which await us in the event of an erroneous conversion, now while there is still a specialized Atom mash? Because, only it, with almost the world's best technological capabilities and outstanding cadres assembled from the entire country, is able from its moorings to "open not a window" to more than Europe alone. It can hardly be supported a little and given an opportunity to take a deep breath in the final analysis simply to stand on its own feet.

In a word, antimonopoly legislation is needed. It is especially important now during the first steps of the conception of competition and a market while the authority of the departments is still great and their thinking is steadfast. The problem of the fight against monopoly was echoed in debates at the USSR Congress of People's Deputies. And, very likely, it should receive its development and it should be shaped into a legislative form in commissions and committees of the Supreme Soviet. Perhaps it would be incorrect to exchange the monopoly of the present ministries for the monopoly of concerns and other large industrial formations. And the sooner the people and the state have them, all the better it will be.

We are firmly convinced that if such questions are not decided in private and the "Izhora" plant is brought before the court of public opinion, it is very likely that the opinion will simply be in favor of that young colleague from Atom mash. Young in a direct and figurative sense of the word because the average age of the Volgodonsk employees is 28 years. They are as up to competitive principles. But the collective is not devoted to these matters. But the intrigue behind the scenes is nothing other than the departmental games of intrigues who are too lazy to think and who will not let a finger. Creative people would more likely understand their equals and would not leave them in trouble.

But what is meant now by reorienting Atom mash. It is the same as turning a ship sharply 180 degrees and it has picked up speed. Of course, even a spacecraft can be built with its ultra-modern equipment. But, of course, readjustment requires time, even perhaps more than a

year. How can a collective of 20,000 employees survive whose portfolio for next year has only a 32-percent workload?

And who will give the means for a reorientation? Which amounts to going into new debt? And what happens with profits, if the old debt, even without this, is almost a 30-million burden (in rubles).

Burdening Atommash with an alien product would inevitably lead to a loss not only in technical achievements, but also in employee qualifications. And since the time of AES's will inevitably return (they cannot help but return for lack of an alternative), then in 2-3 years we will again find ourselves no better off than we were at first. We will be thrown back in the energy program for another decade, and perhaps for more than one.

In addition, in equipment and technology, Atommash today has become, one can say, the flagship in the world's nuclear equipment construction so that not only do we lose a lot, but so does the entire progressive world. Exaggeration? Hardly! Because of Atommash we have real chances of entering the world market with fundamentally new reactor designs and of successfully competing with the best firms.

But this is possible if Atommash remains Atommash, and not a provincial plant that stamps out pots and pans, even the most fashionable kind. According to the requirements of MAGATE [UN International Atomic Energy Agency], which we also signed, the nuclear fields cannot be mixed with any other production because they are... nuclear. It is not possible to allocate other production to Atommash incidentally because there is only one conveyor here, and it cannot be divided up. It is either all or nothing here. A choice has to be made before it is too late...

Let us return to the beginning of the article. To the reference that it does not give the names of many highly placed persons with the hope that they would react properly. Even without this they are well-known to everyone in Volgodonsk. Why? Everyone of them who visited Atommash in its better days hurried to the city's Friendship Park in order to perpetuate their remembrance with the planting of a tree.

In this connection, we must come forth with an alarming report: Dear Comrades, hurry back again to Volgodonsk: the trees bearing your name are in critical condition and might dry out. We became convinced of this with our own eyes.

## PRODUCTION

### Ways to Speed Up New Machine Tool Series Production Suggested

18230060 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 25, Jun 89 p 22

[Article by Candidate of Technical Sciences I. Potapnev, director of the Minsk Experimental Plant of the Avtolitprom NPO [Scientific Production Association], under the rubric "Scientific and Technical Progress: Economics and Management": "A Repetition of What's Been Done or a Step Forward?"]

[Text] Up to 90 percent of new prototypes of the most diverse process equipment, machinery and instruments are manufactured at the country's multitude of experimental plants. Outstanding modern equipment frequently comes from them. But here is the paradox—the experimental prototype frequently becomes obsolete before it begins to be incorporated into series production. There is nothing surprising in this to those working at the experimental plants.

### How the New Becomes Old

The Minsk Experimental Plant of the Avtolitprom NPO, which has been making experimental prototypes of equipment for foundry work in motor vehicle production for over twenty years now, is a typical enterprise of the sort. The products we manufacture include particularly complex ones, and the nature of production is individual. The majority of the machinery is made according to the documentation of the Minsk NI Avtolitprom [Scientific-Research Institute of the Casting Industry for Motor Vehicles].

The plant puts out four million rubles' worth of process equipment a year. The first prototypes of automatic lines for the manufacture of castings for piston rings in the USSR, modern piston machinery and automatic molding lines for the manufacture of castings of the diesel engine blocks for the Yartsevo Motor Vehicle Works were all first created here. We are already assured of orders for the next three years. It seems we could live peacefully. But I say with my hand over my heart that scientific and technical progress does not gain from such seemingly successful work by experimental types of production.

Here is an entirely typical story. Fourteen years ago we were the first to make semi-automatic devices for rods. As soon as the new prototypes appeared, we found plants that wanted to acquire it. The institute, however, had developed its own schedule of incorporation. First several "singles" of the new machine tool were incorporated at one enterprise, the next year at another, then at a third... and we have now been incorporating it for fourteen years. And it hasn't reached series production. The developers are constantly perfecting this or that without changing anything in principle. Meanwhile the new equipment has somehow been "dissolved" among individual enterprises almost unnoticed. It goes without

saying that the developers receive material incentives over the course of this entire period for each succeeding incorporation of one and the same prototype. And the longer the "assimilation" of the new equipment is dragged out, the more profitable it is for them.

The experimental plants, subordinate to the NIIs [scientific-research institutes], have been transformed into a permanently operating "feed trough" for the latter. But on the other hand, ever newer and newer models of the same type of equipment, assemblies and spare parts appear, although on a larger scale they do not differ from each other at all. But each organization strives to push its developments into series production so as not to miss out on bonuses. The habit of creating prototypes by improving well-known foreign analogues somewhat, essentially copying them, instead of according to the results of research has become deeply rooted. The "granddad" of our semi-automated rod device is a 1973-model "overseas" machine tool that was removed from production long ago, and it hasn't even gotten into series production yet here.

The practice of many years of manufacturing "singles" of products, each time with new production preparations, leads to a rise in the cost of the equipment of no less than 2-3 times compared to series production. And our practices are not a particular case.

It is clear that if we hold to existing practices in equipment incorporation in the future, we will always be doomed to the role of chasing the developed countries.

#### What is an STC?

How can matters be speeded up?

It seems that we must construct mutual relations differently along the whole chain from idea to living machine.

The creation of modern technological processes and market-competitive equipment is preceded by research—in the majority of cases painstaking, expensive and requiring considerable funds. It therefore makes sense, in my opinion, to concentrate the efforts of the scientific-research institutes namely on them.

The NIIs should sell their product—the results of research—to scientific and technical centers [STC], which would include an experimental plant and the design subdivision of the current institutes. An opportunity would appear to concentrate efforts in designing modern integrated process equipment in one place, that is, to develop documentation according to the results of research, manufacture experimental prototypes, check them out and test them. The scientific and technical center will also assist customers in assimilating new prototypes of the equipment.

The center must be permitted to manufacture not only experimental prototypes from "its own" NII, but also from other scientific collectives, including academic and

higher educational ones, as well as to incorporate innovations and innovative suggestions from individual innovators. Innovators must also be granted the right, like an NII, to sell their developments and ideas at an agreed-upon price.

Today the "gross" forces us to circulate old stuff. After all, it is essential to strive for the fulfillment of the principal evaluation indicator—gross production output—every year, every quarter and every month. I feel that **we need to move as quickly as possible to the evaluation of experimental plants and design subdivisions according to the anticipated national-economic impact from the utilization of equipment accepted for series production, and to a system of incentives that would stimulate obtaining such an impact.**

It is asked, who would provide the evaluation of new equipment before it is put into series production. I think there is no reason to proceed along the old path, which has not justified itself, of every possible paper annotation, reference and conclusion. I think it is time to institute comprehensive state expert analysis of machinery and equipment at the early stages of its creation. The best specialists of the USSR Academy of Sciences, GKNT [State Committee for Science and Technology], USSR Gosstandart [State Committee for Standards], higher educational institutions (starting from VAK [Higher Certification Commission]) and future users of the equipment should all be part of a corresponding extra-departmental standing commission for the corresponding area of technical progress, endowed with the right to issue permission for the series output of an innovation or to ban it.

#### A Model of State Expert Analysis

The decision of a state commission to certify prototypes should be carried out by Gosplan and Minstankprom [Ministry of the Machine Tool and Tool Building Industry]. The maximum return in the national economy will be obtained in the event that Minstankprom organizes the production of prototypes that have been accepted in such a way that all series production for industry and all export orders are produced for a span of two to five years. And this will prove possible if several machine-building plants are joined in production simultaneously. The equipment will become much cheaper, since larger runs of it will be produced.

The machine-tool enterprises should produce certified items for no more than five years. After which they should be resubmitted to the state commission.

The compensation due the participants in the innovation should be paid only if the anticipated national-economic impact that was actually achieved over time is actually achieved.

The very fact of acceptance by the State Commission for new prototypes, which is equivalent to advertising, a recognition of the talent of the innovator

and grounds for the planning organizations to include these prototypes in the plans for new types of production.

In that case, it seems to me, industry would be oriented toward the best prototypes of process equipment and machinery. And then you wouldn't have such an exceptional occurrence as happened not so long ago at the Minsk Heating Equipment Plant. There they certified domestic radiators and boilers with the state Seal of Quality. The thickness of the radiator walls varied from 4 to 6 mm, even though in West Germany, for example, they have been producing similar and more complex radiators with a wall thickness of 3 mm—that is, with material expenditures of 30 percent less—for almost forty years now. According to the most modest of calculations, the thickening of the walls turns into annual losses of 20,000 tons of cast iron (300 railcars), 4,500 tons of scarce coke (90 railcars), a mass of other valuable materials and millions of kilowatts of electric power.

If you take into account that the heavy radiators and "turnip-shaped" boilers are manufactured at many enterprises, one can imagine the enormous losses that are borne by the state. And these items have been awarded the state Seal of Quality! And that's for the conscious and purposeful destruction of national riches!

State expert analysis would rule out similar practices, which are really only profitable for a specific enterprise or sector and in no case at all for society. The opportunity would moreover arise of introducing competitive principles into the development of innovations. An NII offering primitive models could not withstand the competition. There would occur an inevitable self-specialization of scientific organizations.

I would like to see our machine-building sector as a yacht whose sails are filled with the winds of fresh ideas!

## TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

### Gomel Toolbuilding Association Forms Partnership with FRG

18230070 Minsk SOVETSKAYA BELORUSSIYA in  
Russian 27 Jun 89 p. 2

[Unattributed article: "Address 'Schiesstanko', Gomel"]

[Text] Two machining centers, manufactured by workers of the Gomel Toolbuilding Association (imeni S.M. Kirov), will bear an unusual trademark. The enterprise has become one of the founders of the "Schiesstanko" shareholding association. The well-known German firm Schriess has also joined this association. A contract has been signed with it for the sale on the world market of Belorussian NC machine tools, the electronics for which will be provided by the partners from the FRG.

The possibility of developing independent commercial activity in the world market opened up the path of business cooperation for the Gomel people. But in order to talk on an equal basis with foreign partners, painstaking and reliable work on increasing the competitiveness of their products is required.

The Gomel toolmakers propose to use the foreign currency they earn to acquire the newest equipment and consumer goods for their workers.

## CIVIL AVIATION

**Aeroflot Use of Khozraschet Yields Results**

18290215 Moscow KRYLYA RODINY in Russian  
No. 5, May 89 pp.4-5

[Press conference statement by B. Ye. Panyukov, first deputy minister of civil aviation: "Aeroflot on the Cost Accounting Path"]

[Text] Specialists of the USSR Ministry of Civil Aviation have been working for over a year under the conditions of full cost accounting. Certain progress and improvement in the sector's activity have taken shape during this period. In 1988, 400 million rubles in above-plan profit were received and more than 125 million passengers were transported. Nearly 13 million potential passengers were unable to make use of aircraft, and only 85 percent of flights were on schedule. In other words, there are "pluses" and "minuses." And there are tasks ahead of the sector, of course.

B. Ye. Panyukov, first deputy minister of civil aviation, spoke about them at a meeting with journalists. The attention of journal readers is called to the interesting facts and figures in his statement.

**Flights, Flights...**

In 1989, the intensified pace of air transport development is being maintained to regions of the Far East and the Far North, as well as the coastal resort areas on the Black Sea. Taking into account the increase in the limits of aviation fuel allocated, passenger-carrying capacity will increase by nearly 900,000 seats.

In the near future, 33 new routes will be inaugurated, including Yuzhno-Sakhalinsk to Sverdlovsk, Khabarovsk to Volgograd, Khabarovsk to Sukhumi, Murmansk to Anapa, Minsk to Vladivostok, Tashkent to Vladivostok, and Sukhumi to Tyumen. Flights on 46 routes will be shifted to new equipment and aircraft with more passenger capacity; operation of them will begin in 25 more directions, bringing their proportion in overall air transport volume to 19 percent.

Seventeen routes will be inaugurated to remote and roadless areas in the country, and the carrying capacity of aircraft here will increase by nearly 700,000 seats. It is planned to increase the frequency of flights. The most significant increases are from Moscow to Petropavlovsk-Kamchatskiy (89 flights), to Vladivostok (99 flights), to Vorkuta (195 flights), to Yakutsk (91 flights), to Novyy Urengoy (59 flights), to Magadan (58 flights), and to Yuzhno-Sakhalinsk (76 flights).

The work carried out for the first time to ensure that the requirements of the population in Magadan and Kamchatka Oblasts for air transportation are met fully in a timely manner, received a favorable assessment last year. Applications from more than 300,000 persons were collected and processed, and practically all of the requests were met. Reservation was provided on a route

with transfers. This work was carried out with the participation of local soviet and economic organs. It is being continued in 1989; an application campaign is under way in Sakhalin, in Mirninsk Rayon in the Yakut ASSR, Norilsk, Nadym, and Nizhnevartovsk.

More fully meeting the requests for aircraft service in the most important economic regions, including the West Siberian oil and gas complex, has become an important task for PANKh aviation [use of aircraft in the national economy]. A large volume of work involving the use of helicopters has to be carried out for geological organizations in areas of Eastern Siberia, Yakutia, and Krasnoyarsk Krai, and the requests of power engineering workers, construction workers, and agricultural and forestry specialists must be provided for.

Introduction of Mi-26 and Ka-32 helicopters in national economy operations will be continued, the V-3 helicopter will begin operating, and the scope of aircraft applications will be expanded with new types of operations.

**Both Terminals and Houses**

In order to improve the quality of passenger service and provide for flight regularity and safety, it is planned to build air terminals in Minsk, Baku, Vilnius, Karaganda, Kuybyshev, Syktyvkar, Barnaul, Blagoveshchensk, Omsk, Khabarovsk, Bukhara, and Sochi. In addition, the MGA [Ministry of Civil Aviation] is a shareholder in the construction of a terminal in Ashkhabad and new runways in Ufa, Tbilisi, Gorkiy, Omsk, Syktyvkar, Volgograd and Novosibirsk.

Capital investments of 93.2 million rubles are being channeled into development of the sector's social area, including 76.2 million rubles for housing construction, 6.3 million for education, and 6.1 million rubles for public health.

Further improvement in the sector's material and technical base and aviation workers' social security is being provided by the capital construction plan. An additional 32.5 million rubles has been channeled into the construction of housing and social and cultural projects by reducing the volume of production construction. The living space in housing has been increased by 30,000 square meters over the area specified by the five-year plan; it will amount to 231,000 square meters from all sources of financing in 1989.

**Science for the Sector**

It has been estimated that passenger turnover will increase by 20 to 24 percent in the 13th and 14th Five-Year Plans and that specific fuel consumption will decrease by 8 to 10 percent. Aircraft should become the predominant means of passenger transportation between cities in this period. By the year 2000, the proportion of air transport in overall transport volume will increase from 33 to 42 percent and surpass rail transport in this indicator (33 percent in the year 2000).

At present, in conformity with the Program for Civil Aviation Development which has been adopted, operations have been combined to develop and equip Aeroflot with new airplanes and helicopters for different uses whose performance and technical characteristics will provide for a high level of flight safety and regularity, intensive use, and increased labor productivity and fuel economy.

A modified L-410-UVF-E has been put into operation; compared with the L-410-UVF, it will make it possible to reduce the production cost of transport on local routes by 16 to 24 percent and improve the fuel efficiency indicator by 26 percent. Work is being continued to extend the use of this aircraft in the national economy. Work to certify the An-28 aircraft and put it into operation on local air routes has been completed.

The Tu-154M medium-range mainline aircraft, a modification of the Tu-154B with 20 percent higher fuel efficiency, has made its appearance on air routes. The Mi-26T helicopter, the best load-lifter in the world, capable of carrying up to 20 tons of cargo, has proved itself well at Tyumen. A transport helicopter with a hoisting capacity of up to 5 tons—the Ka-32T—is in operation. Introduction of its shipboard version—the Ka-32S, is being completed.

Work is continuing to develop the Il-96-300 long-range mainline wide-bodied aircraft, the medium-range mainline Tu-204, and the Ka-126 light multipurpose helicopter; the first flights of the Ka-126 were completed and the plant testing stage was begun in 1988. The An-74 aircraft for Arctic and Antarctic use and the An-72 medium cargo aircraft are in different stages of development.

A distinctive feature of the new types of aircraft is their fuel efficiency, 25 to 30 percent better on average, which will make it possible, according to preliminary estimates, to reduce specific fuel consumption by 10 percent by 1995 and by 18 to 20 percent by the year 2000. The new aircraft will substantially increase labor productivity.

A substantial resource in speeding up scientific and technical progress in the sector is the extensive use of international economic and scientific and technical cooperation, and in the civil aviation area, primarily with CEMA member countries; this cooperation is now being developed most fruitfully. A comprehensive program up to the year 2000 has been developed, and its basic provisions are interrelated with a similar sectorial program. The USSR's commitments under contracts and agreements with these countries for research and joint studies on specific scientific and technical problems have been carried out in full.

Collaboration with socialist countries in air service continues to be developed dynamically. The questions of opening routes from Vilnius to Berlin, Minsk to Warsaw, Vilnius to Warsaw, Lvov to Warsaw, and other routes are now being coordinated. Negotiations are under way

in joint operation of air routes to third countries with the Balkan and Cubana de Aviacion airlines.

The USSR's prestige and role in the activity of the International Civil Aviation Organization (ICAO) has been strengthened and the standards and recommendations of this international organization have been put into practice more effectively.

At the same time, there are still considerable reserves in the work to extend international scientific and technical cooperation in the civil aviation field, chiefly in developing direct ties. Proposals to establish joint ventures, scientific research collectives, and laboratories are now being worked out.

### The Safety Problem

The continuing increase in air traffic density, the addition of high-speed aircraft accommodating many passengers (airbuses), the multipurpose use of airspace by different departments, the coordination and planning of flights, and the effect of the weather—this is far from a full listing of the conditions under which air traffic must be controlled safely.

The basic task of the organs which cope with this problem is to ensure the safety and economy of flights, and this depends to a large extent on solution of the following problems: development of a unified state system of air traffic control in the country and automation of the processes for controlling it.

In resolving the problems of automation, it is important to carry out the government's decree on additional steps to develop the air traffic control system, navigation and landing aids and communications facilities, and to equip UVD [ATC] areas of the USSR and civil airports with them.

This involves the training of ATC specialists capable of efficiently and competently carrying out their official duties and performing technical operations in any situation. Special measures are being implemented to improve the effectiveness of the system of professional training for air traffic control employees in civil aviation.

Special attention is being given to language training for controllers who direct the aircraft of foreign airlines. The Ministry of Civil Aviation has adopted a decision providing for annual on-the-job training—beginning in 1989—in Great Britain for specialists handling air traffic on international airways and for translators of English.

### Ties and Contacts

The USSR Ministry of Civil Aviation is pursuing a purposeful policy of developing Aeroflot's international air routes and improving their efficiency. We now have intergovernmental agreements with 102 states, an interdepartmental agreement has been concluded with Argentina, and administrative authorization for flights to Peru has been obtained. This year Aeroflot plans to make

regular flights to 126 points in 98 countries, including 26 states in Europe, 38 in Africa, 26 in Asia and 8 in America.

Work is being continued to prepare and conclude new air service agreements. Bilateral negotiations are in progress to supplement and improve the intergovernmental agreements in effect with Great Britain, the FRG, the Netherlands, Thailand and Singapore.

Good and businesslike relations have been developed between the Ministry of Civil Aviation and aviation authorities in Australia which make it possible in a short period of time to work jointly to prepare bilateral documents; in particular, these documents will grant Aeroflot and the Qantas airline the right to fly over the territories of the two states and to conduct charter flights between the two countries. These will be the first official Soviet-Australian documents in the civil aviation field.

In the course of negotiations between the Ministry of Civil Aviation and the British Ministry of Transport, an understanding was reached that a second British airline, Virgin Atlantic, which took the place of British Caledonian, would begin flights. Together with British Airways, it received the right to make 14 weekly flights from London to Tokyo—11 of them without landing in Moscow—in wide-bodied Boeing 747's. Aeroflot will be able to make up to 10 weekly flights between London and Tokyo.

Negotiations have been held with the Japanese side on further development of cooperation, as the result of which the texts of interdepartmental and intergovernmental documents were worked out and signed; the documents legally formalize the arrangement to significantly extend flights by Aeroflot and the Japanese airlines JAL and ANA over the Trans-Siberian route in the next 2 years. Aeroflot will make up to 20 flights weekly beginning in the summer of 1990, and the Japanese airlines will make up to 30 flights weekly between Tokyo and points in Europe. In addition to this, Aeroflot has been granted the right to make a cargo flight with an Il-76 from Moscow to Tokyo once a week beginning on 1 July 1989.

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### An-74 Problems Highlighted

18290170 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 5 May 89 p 4

[Report by TASS correspondents M. Khabinskiy and N. Marunov: "An Aircraft for the Guinness Book"]

[Text] Kharkov-Moscow—This has been an astonishing case in domestic aviation manufacturing: the series production An-74 aircraft, intended for operation under polar conditions, have not undergone state testing yet and have been out of use since last year for that reason. Meanwhile, they are waiting impatiently for them in the Far North; after all, the new aircraft can carry several times as much freight in one trip as the polar aviation veteran Il-14, and

it has a longer nonstop range as well. It has already proved itself well in the Arctic and Antarctic and it has appeared at shows in France, Canada, and China. It holds the load-carrying capacity record for an aircraft of this class.

We are walking on the airfield of the flight test station with P. Klyuyev, chief designer of the Kharkov Plant imeni Leninskoy Komsomol.

"There they are, the new 'An's,' stuck on the airfield," says Pavel Atanasovich. "They have been rained on and lashed by snowstorms. I think of it, a year has been lost, but the aircraft's active life is 10 years, after all."

What are the difficulties of the Kiev specialists and their colleagues with the "deliberative vote"—the Kharkov workers?

"We combined the times of the plant tests and series production of the aircraft in order to speed up its delivery to Aeroflot," says I. Vasilchenko, the enterprise's chief engineer. "We made test flights in the An-74 and modified it. Now we are waiting for the specialists of the OKB [Experimental Test Bureau] imeni Antonov in Kiev to be able to submit their creation for state tests. I do not think it is worth talking about this in the press yet; we should wait until the aircraft reach the polar workers..."

Permit us not to agree. In a time of glasnost, the public has the right to know how public funds allocated for aircraft are being spent, and what the real return on the investment is.

"It is possible that the periods of time to prepare new aircraft for state testing could have been shortened if departmental dissociation had been repudiated," L. Vasilchenko maintains. "The An-74 is now being 'examined' in turn by different levels of authority for the same features. First the experts of the USSR Ministry of the Aviation Industry, then representatives of the customer—specialists of the GosNII GA [State Civil Aviation Scientific Research Institute]. And finally, the technical specifications are studied by the USSR Gosaviaregistr [State Aviation Register of USSR Civil Aviation]. Why not include them all in this expert appraisal at the same time, together? This would help to take all the observations into account more efficiently and fully. And there are quite a few of them."

"In accordance with an additional requirement from the customers, the Kharkov specialists equipped the An-74 with a radioman's position," says the chief designer. "And everything was not taken into account right here: poor heating and lighting. Not all the equipment has been fitted with reliable components."

S. Chaychenko, the plant's test pilot, joins the conversation: "The aircraft is easy to control, and it is economical and comfortable. But the cabin's noise insulation leaves much to be desired. One of the instruments—the altimeter—is not completely accurate."

The defects are substantial. They cannot be corrected at one stroke. And it has not suited the Kharkov workers to wait passively until the Kiev OKB resolves all the problems. After all, hundreds of skilled specialists are working in the design bureau.

Aeroflot has already paid both the plant and the OKB for the new aircraft. This year it is planned to build one more consignment of the aircraft. And again large sums of money may turn out to be withdrawn from circulation.

V. Trigon, deputy chief of the Scientific and Technical Main Administration of the Ministry of Civil Aviation, comments on the situation that has developed: "Let us look at the history. For an aircraft that has not really begun to operate, there is already a history. The current problems are a natural continuation of the previous ones. I recall that the decision on the procedure for conducting work for aircraft development and certification testing was approved by the USSR Ministry of Civil Aviation and the Ministry of the Aviation Industry in June 1983. The entire program, including the plant, state, and operations tests, and in a series model, was planned for completion in 1987. However, the schedule was disrupted from the very beginning. In the summer of 1987 they adopted a new one. However, it was broken as well. The same fate overtook the next interdepartmental decision last year—the third in a row! Now we are barely at the starting position once again. Meanwhile, the veteran of the North, the Il-14, although it is a reliable aircraft, has seen more than one decade, and spare parts for it are not being turned out now. The situation is far from harmless."

And here is the opinion of I. Mulkidzhanov, deputy chairman of the Gosavianadzor [Flight Safety of Civil Aviation Commission]: "Let us be more precise, first of all. Not only the state tests, but the plant tests as well, have not been completed. The amount of work stipulated by state flight safety requirements has not been fully completed. Moreover, a number of structural defects have been discovered. Why have the 'school years' of the aircraft been drawn out so long? At one time the matter was considered at a joint conference of representatives from the USSR Gosaviaregistr, the Ministry of Civil Aviation, the Ministry of the Aviation Industry, and the OKB imeni Antonov. It was noted at that time that the USSR Ministry of the Aviation Industry had not provided a material base that was adequate. For this reason, there continue to be gaps in the testing program. In other countries, as a rule, they provide a group of aircraft for the tests: they check out the engine on one of them, the landing gear on another, and different instruments on the third one... It takes 2 or 3 years for everything. It takes much longer for us. And it is not surprising, because all the tests are conducted on one aircraft; only afterward is a second one built. We now have a whole 'bunch' of requirements for the new aircraft. In particular, they concern flights under icing conditions, reliable radio communications at high latitudes, and other features. We still have to make dozens

of test 'flights.' Everything that has been stipulated by the state requirements must be strictly carried out. There is no other way."

So while the record-holder is pumping up its muscles, they are waiting on tenterhooks in the national economy. Alas, doesn't it remind you of a familiar situation, when the best examples of our industry go from exhibition to exhibition and are a pleasure to the eye at every possible "Inter"...and that is all? It would be interesting to learn how much has been spent already on "finishing" the new aircraft. And how much longer will it remain "at an alternate airfield?" The merits and achievements of the new aircraft are chiefly of value when it is in wide use. Otherwise, they may only be suitable for the Guinness Book of World Records.

## INTERSECTOR NETWORK DEVELOPMENT

### Enterprises' Economic Accountability Reviewed

18290199 Moscow TRANSPORTNOYE  
STROITELSTVO in Russian No 5, May 89 pp 35-37

[Article by G. I. Terekidi, chief of the Economic Main Administration of the USSR Ministry of Transport Construction: "Full Cost Accounting: Enterprises Are Operating Without Losses; Obstacles Are on the Path of Restructuring: Flexibility in Economic Thinking Is Required"]

[Text] During the time that the ministry has operated under the conditions of full cost accounting and self-financing, a trend toward normalization of the financial situation, a decrease in unprofitableness, and an increase in the level of profitability of construction organizations and enterprises has taken shape. The number of organizations not fulfilling the profit plan has been reduced.

While 13 trusts and construction administrations, or 8 percent of the total number, were operating at a loss in 1987 and the losses amounted to 34.5 million rubles during the year, in 1988 there were two trusts that permitted financial losses: Tunnel Detachment No 41, which lost 2,257,000 rubles and the Omsktransstroy Trust, which lost 266,000 rubles.

In 1987, 45 enterprises, or 21.5 percent of the total number, were operating at a loss, with financial losses totaling 35.6 million rubles for the year. In 1988, 14 industrial enterprises permitted financial losses totaling 13.7 million rubles.

The ministry as a whole fulfilled the 1988 profit plan for all types of activity by 131.1 percent. Above-plan profit amounted to 434.5 million rubles (the plan called for 1,397,600,000 rubles, and actual profit was 1,832,100,000 rubles). The plan for payments to the budget was overfulfilled by 46.4 million rubles (the plan called for 581.5 million rubles, and actual payments totaled 627.9 million rubles, or 108.0 percent).

We cannot be content with the fact that the ministry as a whole is successfully coping, under the conditions of full cost accounting and self-financing, with fulfillment of a basic economic indicator—the profit plan, and is overfulfilling the plan for payments to the budget. After all, eight associations, trusts, and construction administrations are not fulfilling the profit plan, a sum totaling 10.8 million rubles.

The level of profitability for trusts and construction administrations rose considerably, totaling 25.6 percent for the ministry as a whole (it was 19.7 percent in 1987). And while 132 of the 166 trusts and construction administrations have a profitability of more than 15 percent, 10 of them, such as the Omsktransstroy, Zabaykaltransstroy, Saratovtransstroy and others, for example, have a profitability of less than 12 percent.

In approving economic norms, the ministry provided subsidies in 1989 for 47 associations, trusts, and construction administrations totaling 84.6 million rubles; subsidies totaling 86.5 million rubles have been approved for 49 of them in 1990. Many of them have low profitability, because effective steps to provide for operation without subsidies beginning in 1991 are not being taken thus far. By order of the minister, the managers of associations, trusts, and construction administrations and enterprises and organizations were obligated to work out measures to improve the economic activity of organizations and enterprises that were operating at a loss or that were unprofitable, proceeding from the fact that break-even operation should be reached in 1989 and that an increase in the level of profitability should provide for their operation without subsidies (including organizations receiving one in the 1989-1990 period) beginning in 1991. This order has not been fulfilled to date by the Sverdlovsktransstroy, Zabaykaltransstroy, and Omsktransstroy Trusts.

As of 1 October 1988, individual collectives had a shortfall in their own working capital amounting to 114.0 million rubles. The Law of the USSR on the State Enterprise stipulates that an enterprise is obligated to provide for the safety and efficient utilization of working capital and to accelerate its turnover rate. The shortfall in internal working capital is recovered at the cost of the collective's cost accounting income, and it is replenished at the cost of internal resources. The time has passed when we "ate through" our internal working capital and waited for it to be made up from the state budget or at the cost of its withdrawal from organizations and enterprises that are operating well, and help should not be expected from the ministry for this reason.

Here is an example of how finances cannot be managed. As of 1 October 1988, the Zaktransstroy Trust was owed 23,910,000 rubles by customers (with an annual program of construction and installation work using internal resources totaling 21,451,000 rubles), including an overdue debt of 10,783,000 rubles as of 1 December 1988; it had uncredited remainders of unfinished production totaling 2.2 million rubles and above-norm

remainders of commodity stocks not credited by the bank amounting to 1,442,000 rubles.

The question arises: but how does this trust exist? The indebtedness in loans has reached 19.8 million rubles, for which it pays colossal sums. This is "self-financing" for you.

However, the financial condition of a number of organizations and enterprises continues to remain unstable and is complicated primarily by customers' systematic and sizable nonpayments for construction and installation work that was completed. Last year customers' continuing overdue debt was at the level of 300 to 400 million rubles. As of 1 January 1989, it amounted to 234.8 million rubles.

Individual managers are exerting very little influence on customers for fulfillment of contract commitments, and they are not applying economic sanctions against them. The legal services are not at the proper level here, either.

One of the reasons for customers' continuing indebtedness for work that has been performed is overfulfillment of the amount of work planned without coordinating the conditions for financing it with the customer. The Zapsibdorstroy PPSO [possibly: Industrial Production and Construction Association], for example, had such a debt amounting to 109.7 million rubles as of 1 January 1989; 47 million rubles of this was an overdue debt created basically when planned work volumes were overfulfilled and production schedules were exceeded at individual construction sites of the Ministry of the Gas Industry (43.7 million rubles) and the Ministry of the Petroleum Industry (2 million rubles).

The financial condition of contract organizations is complicated as a result of the nonfulfillment of production schedules in accordance with technological stages and complexes at a number of projects. This lag is not taken into account in assessing plan fulfillment and is not considered for the wages. Most of the debt related to this was paid in December 1988 in accordance with a one-time order by the USSR Council of Ministers, but as of 1 January 1989, contract organizations had a balance of expenditures amounting to 17.3 million rubles for unfinished construction work which were not used for wages and not credited by banks.

The commodity stocks for contract organizations and industrial enterprises as of 1 October 1988 amounted to 1,545,400,000 rubles, which is 364.3 million rubles lower than the planned limit, including 355.4 million rubles in contract activity and 8.9 million rubles in industry.

However, individual organizations and enterprises have permitted the diversion of a substantial part of their financial resources into above-norm commodity stocks. This applies to certain enterprises of the Glavstroymekh-anizatsiya [Mechanization of Construction Main Administration], the Bamtransstroy PPSO, the GKTU-montazhavtomatika, the GKTU-tunnelmetrostroy, the

KTU [possibly: complex territorial administrations] for the North and West, and the GK TU strovindustria. The above-norm commodity stocks not credited by the bank amounted to 19.5 million rubles for the ministry as a whole as of 1 January 1989.

In 1988, 17 construction trusts and administrations, as well as all organizations of the Project Planning and Capital Construction Main Administration (20 organizations) and the Giprostroy most and Irkutskgiprotrans institutes, were operating under the second model of cost accounting. Nine enterprises and organizations were shifted to a lease contract, and in addition, four leasing collectives were established on subsidiary farms. According to statistical accounts for the ministry as a whole, 182 cooperatives were registered; 104 of them were in operation, including 50 consumer goods cooperatives with receipts from sales amounting to 4,032,000 rubles and 54 consumer services cooperatives with receipts of 3,404,000 rubles.

A temporary scientific production collective of 27 brigades, which performed work in 36 trusts, was established to further improve cost accounting and provide methodical and practical assistance for construction and installation trusts and enterprises in eliminating unprofitable operation and increasing the level of profitability. During the course of audits it was established that economic operation was at a low level in most of them. This applies chiefly to organizations of the GK TU zhel-dorstroy, where the principles of cost accounting and self-financing (in many of the 13 trusts checked) are limited to the level of trust staffs and there is insufficient work with subunits under their jurisdiction, especially with sections and brigades. A collective contract has not actually been introduced in all trusts to the full extent, and in some of them, such as the Yugovostroystroy, payment has been in accordance with a work order thus far.

One of the shortcomings brought to light is the increase in the proportion of ancillary production manpower. For the Zabaykaltransstroy Trust, the collectives of ancillary production facilities make up 51.8 percent of all construction and production personnel. There continues to be a large number of management personnel. Thus, in the first half of 1988 there were 3.7 workers per supervisor and specialist in the trust as a whole; in certain of its subunits, there were no more than 3 workers.

The financial condition of the construction administration of the Tbiltonnelmetrostroy, which owes 6 million in loans to the Promstroybank [Industrial Construction Bank], is creating concern. This is the result of above-norm commodity stocks and late payment of bills by a customer.

The economic work organized in trusts of the GK TU dorstroy (the Orenburgdorstroy, Kuybyshev dorstroy, and others) is somewhat better.

One of the most important problems in extending cost accounting and bringing it to those directly involved in

executing tasks is the organization of internal production cost accounting at the level of primary contract collectives. The organization of internal production cost accounting enables us to resolve a number of problems. First of all, providing for annual, quarterly, and monthly planning of the activity of consolidated brigades and sections, that is, labor collectives' knowledge of specific tasks and the near future. Secondly, developing in those directly engaged in executing tasks a sense of production ownership and concern for economizing all kinds of resources and increased profitability and effectiveness in the work. And third and finally, developing self-management and self-regulation in primary contract collectives.

Thus a unified system of planning, accounting, evaluation of activity, and work incentive for all workers at all levels of production, from the primary contract collective to the trust, should be established, developed, and introduced everywhere.

The checking system is being applied very hesitantly at enterprises in the sector. Positive experience exists only in certain organizations. Thus, as a result of introducing the checking system to account for motor transport work, the Mostotrest improved its utilization significantly; obsolete and worn-out equipment is written off expeditiously, and the motor transport released is being utilized effectively to provide services to the public.

In the Lenabamstroy Trust, a record of the materials shifted and written off within the trust is kept only by checks, which, together with materials economy, has made it possible to significantly reduce the demand for both machinery and construction equipment. The checking system of accounting is being introduced well in trusts of the Yugozaptransstroy, the Nizhneangarsk-transstroy, the Tashmetrostroy, and certain other organizations, but the majority of the trusts and their subunits have not begun this work yet.

Correct organization of economic incentive is an important lever of influence on production efficiency. We should resolutely rid ourselves of the wage-leveling system in evaluating labor. Those who increase the role of intensive factors in developing the economy, extend the scope of use of the latest achievements of scientific and technical progress, and more efficiently and consistently pursue a line of resource conservation should really receive an increase in wages. On the other hand, those who have not rejected the old, obsolete approaches and utilize extensive methods of economic operation, outdated technology, expensive work methods, and shock work should objectively experience a cut in wages.

However, as audits indicate, many associations and trusts still have not mastered economic methods of management under the new conditions of economic operation and are not actively conducting work in subordinate subunits. In a number of organizations, the wages of supervisory employees and specialists have been increased unjustifiably without changes in the

labor-intensiveness of the work and improvement in its quality. They include the SKTB [presumably: special design and technology bureau] of the Glavdorstroy, the Metrogiprotans, the Soyuzdorproyekt, the SKTB of the Glavtonnelmetrostroy, and the Mosgiprotans.

In the Transenergomontazh, Zabaykaltransstroy, and Angarstroy Trusts and the Mosmetrostroy, the wages for supervisory employees and specialists were artificially raised at the cost of the workers' wage fund with the shift to a unified wage norm in 1988.

An important social measure in the transport construction system was the shift of practically all organizations and enterprises to the new wage rates and salaries in 1988. Out of 160 trusts and US [construction administrations], this most important social measure of the 12th Five-Year Plan was not implemented only by the collective of the Mostostroy Trust No 10.

At the same time, there were cases of management by decree and a formal approach to the setting of new wage rates for workers when organizations and enterprises were shifted to the new wage conditions. Thus, the job categories of 47 employees of the Minskmetrostroy Construction Administration were reduced without justification as the result of setting new wage rates. The new wage rates for workers were set by willful methods in Mostostroyad No 113 of the Mostostroy-3 Trust, where the administration did not even want to explain the reason for the job category reduction to the workers.

The lack of serious preparatory work and glasnost and the display of haste led to serious violations in setting the new wage rates for workers of Administration No 157, Mostostroy No 3, Mosmetrostroy, Yuzhuraltransstroy, Mostostroy No 4, Dondorstroy, the Bataysk plant of the Sevkavtransstroy Trust, the construction administration of the Pechorstroy, and certain other organizations.

Enterprise managers are extremely indecisive in making use of rights in the area of wages granted by the Law of the USSR on the State Enterprise (Association). Norm setting for labor is in a neglected condition at individual enterprises. There are an especially large number of outdated norms which require review: 94.5 percent at the Moscow Machinery Plant of the Glavtonnelmetrostroy. In the enterprises of production associations, they make up 84.4 percent of the norms in the Mostostroyindustriya and 58.6 percent in the Tsentrotranszhelezobeton.

Managers of associations, trusts and construction administrations must promptly correct the inequities in this important matter and establish the strictest control over the expenditure of funds for wages in strict conformity with the normative correlation between the growth rates of labor productivity and the growth rates of wages.

In connection with the shift to full cost accounting, the ministry, jointly with the central committee of the Railroad Transport and Transport Construction Workers Trade Union, have revised the conditions for All-Union

and sectorial socialist competition with the orientation of trusts and enterprises toward the indicators of economic competition: profit or income, a normative correlation between the rates of growth of wages and labor productivity, and provision for the introduction of projects.

In 1988, the number of trusts which fulfilled the conditions for competitions and won prize-winning places increased by 12 percent over 1987. It should be stressed that the more active role given to economic competition was a result of the close relationship between the end results of collectives' work and material and moral incentive and cost accounting methods of production organization.

Under cost accounting conditions, economic competition among subunits within a trust should be aimed primarily at resource conservation, intensive use of equipment, increased quality of work, and reduction of labor-intensiveness. It is necessary to provide broad incentive for the construction of one's own projects, the production of consumer goods, and paid services for the public.

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## MOTOR VEHICLES, HIGHWAYS

### Roundtable Examines Non-Chernozem Area Roads Program

18290196 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 22, May 89 pp 11-14

[Round table Discussion with V. Kovalev, first deputy chairman of the Yaroslavl Oblispolkom; A. Nadezhko, deputy minister of RSFSR Highways; Yu. Sukhotin, deputy chief of the USSR Ministroydormash [Ministry of Construction, Road, and Municipal Machine Building]; V. Nefedov, secretary of the Yaroslavl Party Obkom; N. Sedov, chief of Yaroslavlvdorstroy [Yaroslavl Road Building Trust]; V. Polosin, subdepartment chief of USSR Gosplan; V. Nozdrachev, chief of the Vologdaavtodor [Vologda Highway] PSO; S. Zimin, department chief of USSR Gosstroy; S. Gorantsyan, chairman of the Nasha Marka [Our Brand] Road Construction Cooperative (Yaroslavl Oblast); A. Titov, first deputy chairman of the Vologda Oblispolkom; A. Yevtushenko, chief of the Danilov Road Construction Administration No 3 (Yaroslavl Oblast); I. Kaluzhskiy, deputy chief of the Rosagropromdorstroy [Russian Agroindustrial Road Construction Trust] Association; A. Luzgin, chief of Road Construction Administration No 1 (Yaroslavl Oblast); N. Dobryakov, director of the Novaya Zhizn [New Life] sovkhoz of Gavrilov-Yam rayon of Yaroslavl Oblast; V. Abramov, senior research associate of the Institute of Complex Transport Problems under USSR Gosplan; Ye. Kuptsov, director of GiprodorNII [State Road Planning and Scientific Research Institute] of the RSFSR Minavtodor [Ministry

of Highways]; A. Bizin, Chief of Yaroslavlagropromdorstroy [Yaroslavl Agroindustrial Road Construction Trust], and V. Vorobev, chief engineer of the Yaroslav-lavtodor PSO, moderated by Yu. Tartanov, EKONOMICHESKAYA GAZETA [EG] editor for labor and social sphere development, and V. Golovachev and S. Svalov, EG special correspondents: "Beyond Macadam—To New Soil: The Whole Road Battle: Non-Chernozem Roads, Reality and Prospects"

[Text]

#### Our Information

During 1988-1995, according to the State "Non-Chernozem Roads" Program, we are faced with building and rebuilding up to 200,000 kilometers of hard-surfaced highways, of which approximately 130,000 kilometers are internal economic roads. Toward these goals, the state, in fulfilling the CPSU Central Committee directive on social development of the village, investigated the possibility of allocating 36 billion rubles. This is seven times more than was invested in roads for the entire past 12 years for advancing the Non-Chernozem Zone.

#### The EG [EKONOMICHESKAYA GAZETA] Business Club

Before we sat down at the roundtable, the business meeting participants spent a day riding in a bus on Yaroslavl Oblast's main highways and country roads. During this time, more than enough impressions were accumulated. Pot-holes, thick mud, broken ruts and... the first hard-surfaced road.

In one of the remote villages, an elderly lady "greeted" the RSFSR deputy minister of roadways: "I am lucky—I am on a pension waiting for a road to my house. But my children did not wait and they flew off to all parts of the country. Maybe they will return now, I have worn my eyes out [crying]," and she brushed away a tear with her handkerchief.

Suddenly someone remembered how the old people happily walked barefoot along the still warm asphalt. They felt that, even cooled, it would preserve their warm hopes for the revival of their native Russian village so that the remaining "roots" of life would bear strong young sprouts for this remote area.

It is a good road—not simply a highway. This is the feeder artery for the social restructuring of the village. This is new sturdy housing, children's ringing voices, work in satisfaction, a stable population, and full store shelves.

How is this program being realized in Yaroslavl, Vologda, and Kostroma Oblasts? What role are local soviets playing in this? What are the road builders most concerned about? What can and must central departments undertake for the program's successful realization?

A heated theoretical discussion of these issues was begun on the bus and was transferred to the roundtable.

[Kovalev] If I say that we can only reach many rural populated areas "by airplane," then I have not at all acted against my conscience. Yes, as a matter of fact, everyone has had the opportunity to be convinced. And in these conditions it is only through myths and good wishes that we can consider that our present vain attempts support people in the country. And we must support them because 17 percent of the oblast's total population have remained there and there are fewer who are able-bodied: five percent altogether. It turns out that one village toiler feeds 20 city dwellers and how he feeds them is obvious from the store shelves.

Yes, we are turning our attention to the village. For example, we have developed a program for raising 82 low profit farms. But here we ran into a problem which has a very direct impact on our business meeting today: At 64 farms, it is simply impossible to carry out construction of the social infrastructure. There are no roads! All transportation communications are by tractor and by double draft, too. You cannot deliver materials and you cannot transfer equipment.

After the State "Non-Chernozem Zone Road" Program was adopted, the structure and organization of work became clear. We now know the client and contractor for general use road construction are RSFSR Minavtodor subdivisions and for internal economic roads it is RSFSR Gosagroprom of the Non-Chernozem Zone. There are now five road construction organizations in the oblast. The Yardorstroy Minvodkhoz [Ministry of Land Reclamation and Water Resources] subdivision still builds internal economic roads. Road construction is acquiring complexity. Industrial enterprises, kolkhozes and sovkhoses themselves, and motor transport workers are connected with it, in short, subdivisions of practically all departments. And their problems are coming up everywhere.

One of the most important problems is provision of inert materials. We are agreed: If there are no materials, then everything conceived and described in detail in the program is not worth two cents. Meanwhile, it turns out that geologists have not studied the oblast. We do not even know our own reserves, and here we are transporting construction materials—macadam and the like—from various corners of the country: from Kareli, the Baltic, Kirghiziya and even by ice breaker... from Novaya Zemlya. EKONOMICHESKAYA GAZETA's readers will easily understand how construction costs are growing to such astronomical proportions.

Furthermore, during an inert materials shortage for road construction, these materials are being exported from the oblast's small quarries to other regions. Shipments meeting head on are creating problems on railways, water, and motor transport. Minenergo [Ministry of Power and Electrification], Mintransstroy, [Ministry of Transport Construction] and Ministry of Roads and Communications whose deputy minister is present here are participating in this process which is dubious from the economic point of view. Departmental streams

remain as they were formed at one time. All of this reshuffling of inert materials is occurring under the inertia of learned men, in particular those from the Institute of Complex Transport Problems under USSR Gosplan.

And what is staggering is that everything is regulated by official documents: From where and how much slag, macadam, or sand was delivered or how much was shipped. This creates the picture of work "through science."

Construction priorities are no less important. Today general use roads must be top priority, that is, those which lead to raytsentrs [rayon centers] and central farmsteads. First of all, we need to bring the whole weight of the world to bear on them. But departmental barriers exist: "I am building this and that is none of my business." But really, oblasts which are a bit more visible have efforts directed at them first! This is how it turns out: Internal economic roads are being built at certain kolkhozes and sovkhozes but you can only reach them on a tractor. Who needs these roads? And what will they be turned into when they bring a main road up to them?

Along with everything else, this year's program practically does not provide financing for either general use roads or for internal economic roads. We are short 8 million rubles for construction of general use roads and approximately 30 million rubles for construction of internal economic roads. The debits and credits tally on paper, but in reality, the distance between them is a bit greater than "all of the Non-Chernozem Zone."

We also cannot build roads on time without equipment. However, we do not have enough crushers, heavy bulldozers, or excavators. It is precisely these that we need in the first place. Without them, we cannot set up round the clock operations at quarries which would immediately give us a significant gain. Here are two figures just to back up what I am saying: Yaroslavl-agropromstroy should have additionally received (according to the documents) approximately 80 KamAZ [Kama Truck Plant] trucks for their program, but received only 17.

#### Our Information

**Up to 15 percent of agricultural output is lost due to lack of roads in the Non-Chernozem Zone. Transportation delays account for approximately 40 percent of the cost of plant and animal products. Their total size annually exceeds 3 billion rubles.**

More than 30,000 apartments are not occupied at kolkhozes and sovkhozes. Up to 80,000 rural homes do not have owners. There is an average of 17 people left in 65,000 villages and 13,000 more villages number 70 residents each.

[Nadezhko] Nevertheless, I am convinced that this program will be implemented in 1989-1990. But it will be more difficult during the 13th five-year plan. If we do not undertake the most decisive measures today, the

plan will be disrupted. Take road construction equipment, for instance. This has been our long-standing ailment. In some places, we have been receiving four times as many of them as before, nevertheless, there are not enough. Why? We write off much equipment, much of what we have does not operate, and even more is obsolete. Right now, we have nothing to replace 30 percent of the bulldozers with exhausted service lives and it is the same story with every fifth excavator and scraper.

There is yet one more serious problem—with asphalt pavers and asphalt-concrete plants. Since all special equipment is distributed through 11 departmental channels, there is a catastrophic shortage of it. All machine building ministries, especially Minstroydormash, need to increase their equipment production rates. They have reserves. I think those present here will say more about this. I want to dwell in particular on the quality of construction. There is a serious problem with quality. The decision is being made right now about introducing state acceptance [Gospriem] here. Really what can we do on rural roads? As a matter of fact, all of us saw their labor pains during our trip. If state acceptance already existed, all road construction would have to stop. We are not building roads, we are burying and compacting money with rollers. We honestly admit that is our common fault and that new technologies are being poorly introduced in places, in particular, strengthening the ground with cement. We are inadequately monitoring and hardly helping them to master these technologies. Here we have already said that common macadam is being hauled thousands of kilometers and new technology allows us to eliminate this shortage by allowing us to get by with a smaller quantity.

And why are we not using the capabilities of cooperatives? In Kaluga Oblast, let us say, a cooperative collective provides a significant volume of work. If we are precise, it carries out work worth 4 million rubles per year. Why am I talking about them? Well, because they use better equipment, cooperatives build in an outstanding manner, working three shifts, and practically according to gosrastsenok [State calculated prices]. And state organizations are being drawn into conditions of healthy competition. These are precisely those cooperatives which we all need and whose establishment we can only welcome. Our duty is to help them.

[Kovalev] Recently information was passed that a test model of a road roller, based on the T-150 tractor, is being produced which significantly increases the quality of work. Do you have such equipment in your system?

[Nadezhko] No. And I will tell you frankly: We have a problem with rollers which I do not think can get worse. Meanwhile, experts know well: Even if you place outstanding materials on a poorly compacted earthen road bed, you will not get a good road. Beginning next year, Mari ASSR and Bryansk Oblast must transition to state acceptance of roads, they are against it, and are also

objectively correct in saying that they need special equipment. Where is it? Where is the equipment promised by Minstroydormash? Incidentally, Yuriy Aleksandrovich, you have a road roller plant here in Rybinsk.

[Sukhotin] We have a plant, but the oblast's leadership must carefully approach the issue of increasing its size.

[Nefedov] The plant is in the center of the city. We were even forced to close foundry production due to public demand. We cannot establish such ecologically untenable production facilities in the heart of the city. This is precisely a case when the ministry should think about aid and the fate of the plant.

[Sukhotin] I agree. I propose converting this plant. We can also establish a subsidiary. I think that we can effectively take action locally.

[Sedov] I have a specific proposal: Resolve the issue through the forces of the three Oblasts, Yaroslavl, Vologda, and Kostroma, whose representatives were invited to this meeting by EKONOMICHESKAYA GAZETA. We cannot count on either the state or local budget. We need to search for our own resources.

[EKONOMICHESKAYA GAZETA] The editor receives quite a few letters and suggestions precisely from those people who have suffered, including from the Non-Chernozem Zone. V. Kalinin from Kostroma Oblast and N. Petrushev from Vologda Oblast ask: "Various types of loans exist, why do we not have special 'road' loans, the villagers have money, and money could be returned to them with a guarantee." Readers even indicate specific sums which are feasible contributions for them. We think this is a business-like proposal. Local financial agencies have something to think over. And USSR Minfin [Ministry of Finance] needs to think about this initiative. Assets from conducting special days of unpaid labor and lotteries prove useful in these cases and are ideas which, incidentally, the Russian government supports. But, it is up to the soviets. In any case, we are quite capable of carrying out specific special measures with the help of these assets and also through joint efforts of neighboring oblasts.

[Polosin] We are saying that we are transporting the simplest building materials from Novaya Zemlya, from the other end of the world. And it really is profitable to transport them! It is profitable because a cost mechanism operates in our country. The more expensive construction is, the more rubles we "acquire," the more we will receive. Esteem and respect!

[Rejoinder] Well, think about this along with Gosstroy. It is long since time we stop talking and get down to business. Or will we wait for the next meeting at the roundtable? We ask EKONOMICHESKAYA GAZETA to take control of this.

[Moderator] Consider it done!

#### Examination on "Push-Equipment"

[Bizin] As for equipment, O. Bortnev, deputy chairman of USSR Gosstroy, recently informed society in IZVESTIYA that additional trucks and construction equipment were allocated under the "Non-Chernozem Zone Roads" Program. "More than 3,000 trucks of various makes alone," he reported, "were sent out over and above the plan along with more than 200 excavators, 500 bulldozers, and 120 scrapers. This provides us with the capability to sharply increase the mechanization level of road construction this year and to commission 15,400 kilometers of roads, 3,300 kilometers more than in the past. Will it be carried out? And he states with optimism: "I am sure that it will. There is every reason for it."

But we are not sure that it will happen. And there is already no more talk about "all of the reasons." We need to keep working and working, including Gosstroy, and not blunt road builders' diligence.

For example, we received nine EO-2621 excavators with scoop capacities of 0.25 cubic meters. This is probably precisely in accordance with the resolution. But can we really build roads with such equipment? This is not really road building machinery. This excavator has to perform 30 operations to fill only one KamAZ or KrAZ [Kremenchug Automobile Plant] [truck]...

[Polosin] Really, such equipment will not move mountains.

[Rejoinder] Both this equipment and this "additional" quantity.

[V. Vorobev] They did not take our equipment requirements into account in the program. We also have a 100 unit shortage in compacting equipment and we need 14 excavators and 75 road graders. I can continue the list. Vladimir Nikolayevich, why do they not associate assigned work volumes with equipment supplies?

[Polosin] I cannot answer that question. We provided what was allocated. The quality of equipment is another matter. It really makes you give up hoping for the better.

[Nozdrachev] We cannot explain the situation to people. Half of the districts do not have any excavators at all. How can we work?

[Polosin] I will repeat once again: I cannot explain anything. The equipment provided for in the resolution was allocated. Let comrade Zimin tell us who received the equipment.

[Zimin] RSFSR Minavtodor was allocated 131 excavators but delivery contracts were concluded with machine building enterprises for only 72. We allocated 387 bulldozers but concluded contracts for only 189, and we have contracts for all 46 asphalt pavers and 190 rollers. This is according to Russia Minavtodor.

[Rejoinder] This shortage is throughout all of Russia—it is a mockery. If work volumes have already been assigned, everything should have been substantiated. And material supply, first of all.

[Belov] Forty six asphalt pavers are enough for one Minavtodor oblast subdivision and you distributed them to everyone.

[Zimin] I guess we need to look at the capacities of machine building enterprises. They will not allow more equipment to be produced.

[Gorantsyan] What kind of road construction plan consistency can we talk about?

[Moderator] This is obviously a question for the Minsstroydormash representative.

[Sukhotin] I can only say how much equipment we are producing altogether.

[Rejoinder] Thanks even for that. So how much is it?

[Sukhotin] We annually produce: 35,000 excavators, 42,000 bulldozers, almost 5,000 scrapers, 5,000 road graders, 300 asphalt pavers, and 4,350 road rollers.

[Bizin] That is not enough for the whole nation.

[Moderator] Just how were the program's time periods determined? How can we carry it out with that quantity of equipment?

[Polosin] You know how the Non-Chernozem Zone Program was prepared. A special commission headed by Comrade Batalin, chairman of USSR Gosstroy, determined the time periods and resources for carrying it out and calculated equipment requirements. I think the time periods are quite realistic for general use roads. If the equipment allocated to the "Non-Chernozem Zone Roads" Program was in the Goszakaz [State Order], this would solve the problem. For the time being, it is not in the Goszakaz.

#### Latest News from USSR Gosstroy

**The issue of realization of the "Non-Chernozem Zone Roads" Program was examined at a meeting of the commission. A decision was made to include road equipment in the Goszakaz beginning in 1990. Assets will be fully allocated for acquiring this equipment.**

[All of the following data is as of 1 Jan 1988 and applies throughout the RSFSR.] Hard-surfaced roads connected 54 of 70 (77.1 percent) of oblast, kray, and autonomous republic centers to Moscow, leaving 16 without a link to Moscow. Of 1723 raytsentrs, 1682 or 97.6 percent have hard-surfaced road links with oblast, kray, and autonomous republic centers. 41 do not, and 114 others are located in northern or remote areas. There are 24,514 kolkhoz and sovkhoz central farmsteads, 21,736 (88.7 percent) of which have hard-surfaced road ties to raytsentrs, and 2,778 do not.

#### Life in the Village Begins when the Military Enters it

[Titov] Residents of nine of our oblast's raytsentrs say that they live where the asphalt ends. Their ties with the oblast center are exclusively by air. Therefore the "Non-Chernozem Zone Roads" Program is like water in the desert for us. We are faced with building 5,000 kilometers of general use roads and 10,000 kilometers of internal economic roads. This is the minimum program. And we really need 20,000 more kilometers of roads in all. Then we can live and work normally.

But we cannot deal with such a task ourselves. Judge. There are 1,100 abandoned villages in the oblast. Like it or not, we need to turn to military builders for help. They must build 7,800 kilometers of roads.

#### Our Information

**Road construction formations have been created by order of the Minister of Defense in accordance with a CPSU Central Committee decision on a state highway building and rebuilding program in the Non-Chernozem Zone of the RSFSR. Over seven years, they must build 22,000 kilometers of roads and all with reliable asphalt surfaces. Twenty two such formations have already been created, each of which must complete a thousand kilometers of roads.**

Vologda Oblast's main hope is with the army. But a feeling of alarm is not leaving us. We calculated: The soldier-builders must attain a 32,000 ruble per year output to fulfill the program. And right now, their output is 1,500 rubles. Even to a non-expert it is clear that we cannot "move ourselves" further. I hope that the Ministry of Defense will correctly understand our concern.

I must also talk about another sore subject. A Vlasov, chairman of the RSFSR Council of Ministers, criticized the leadership of the Vologda Oblast in PRAVITELSTVENNYY VESTNIK because they are not adequately providing housing to the military. But let us calmly look into this issue. Yes, the military is our main building force. Yes, we need to provide them all with apartment. The military has received 1,200 apartments. But we rented those apartments in the literal sense of the word from enterprises and organizations. And there are 900 others remaining who need apartments. Local soviets should provide housing to the military. How will it be with these figures: 28 million rubles have been allocated to the soviets for housing construction during the 12th five-year plan and need 30 million rubles just for providing housing to officers and warrant officers. To whom did we not appeal: to the chairman of Gosstroy and to the RSFSR Council of Ministers. Everywhere we explain, we borrowed money to get housing for the military and we need to repay it. But no matter where this issue is raised, no one wants to resolve it. And anyway, sooner or later we will have to. So, maybe the earlier, the better?

We have already mentioned special lotteries, days of voluntary unpaid labor, and monetary loans. Of course,

we will conduct them and we will resolve some separate issues with the assets obtained. However, we need to be realists. For example, one day of voluntary unpaid labor provides us with approximately one and a half million rubles. How many do we really need to conduct to cover the Minavtodor subdivision 13.8 million ruble financial gap and Agroprom's 14 million ruble gap? We have allocated 36 billion rubles to Non-Chernozem Zone roads but, now, when everything has been accurately defined, it appears that we need nearly 50 billion.

"Non-Chernozem Zone Roads" is a state program and it needs to be resolved in a state manner. For right now, USSR Gosstroy in the person of its chairman Comrade Batalin is not reinforcing its plans with specific actions.

[Kovalev] In size, the "Non-Chernozem Zone Road" Program is assessed as being approximately four BAM's [Baykal-Amur Railway]. But we did not build the BAM the way we have begun building roads. They gave everything to BAM.

[Titov] We can compare our road construction with a dark forest at night. For example, 11 ministries and departments have been included in carrying out the program. That is not too bad at all. But on the other hand, it is too bad that the land reclamation people and these same military builders have poor skills and they are yet again beginning to work from "zero." In the first place, they are being allocated materials and equipment. And, all of a sudden, they begin "turning over" personnel in these units.

For example, we have Minavtodor, land reclamation personnel, and military builders working in Kirovskiy Rayon. The land reclamation people and the military builders are receiving the latest equipment. But the most experienced, skilled workers from Minavtodor do not have anything. But give them this equipment and they will move mountains. And a bit faster than everyone else. We need to strengthen the road construction crews. If we do not give them equipment today, their "privates" will run away to other organizations and only "generals" will remain. This will be total destruction because, for the present, the organization of labor and its productivity is low in the new subdivisions.

[Yevtashenko] Last year, we acquired a bit more than three million rubles. This year they are reducing us to 2.3 million in the plan. Is this not a paradox? And we could build four million rubles worth of roads. And, in addition, we are enlisting the services of new organizations which do not have enough experience in road construction.

[Kaluzhskiy] Our personnel will scatter if this goes any farther. They will all desert to Minvodkhoz. And our two organizations will quietly "die." They are not increasing people in the oblast.

They allotted asphalt-concrete plants to the military. But they were not able to prepare them by the beginning of the season and as a result the plants are standing idle.

But, if they had been assigned to Minavtodor or Agroprom, they would already be operating. The situation is the same with other equipment. We are now going to the military with hands extended: Give us equipment since you are not using it at full capacity. And they are not giving it to us. And today we are sending them asphalt and other materials.

We also need to rationally resolve the issues of deploying military subunits. While we have a shortage of assets for roads, we are spending 100 million rubles on the Ministry of Defense production base in 1989 alone. The program is called "Non-Chernozem Zone Roads" and it turns only that we are only providing the infrastructure for the military for now. Certain oblasts are also still begging: "Where is Gosstroy looking?"

[Zimin] And so, what are you saying about Gosstroy?

[Kaluzhskiy] What do you mean what? You go to them in this regard. Apart from traditional oblasts, where do we really need to send military builders—Vologda, Arkhangelsk, and today they have "occupied" Orel. But it is time that we get ourselves adjusted to the program. What can they do there?

[Zimin] Ask the Obkom first secretary.

[Kaluzhskiy] He can also be mistaken. There is no financing and we must still provide the infrastructure for the military and other ministries and departments whose services have been enlisted for road construction. Minvodkhoz's Yardorstroy is building its production base in Danilovskiy Rayon. Our organizations' production base is located in that same Rayon. Why are we scattering assets?

The jitters had already begun at the beginning of the year. Why? Because we multiplied 122,000 rubles times the number of kilometers in a very elementary manner. And we received as much money as we needed. But surprisingly, they did not take already completed work or design work into account... And why, I ask, did we use 122,000 rubles? Because these are the approved USSR Gosplan relative capital investment standards which we cannot find any way to get around today. Gosstroy has already approved new regional norms but the relative capital investment standards are the same 122,000 rubles as before.

And how are questions of financing being resolved locally? Agroprom still has some assets in the "stocking," but other road builders do not have any. And Agroprom-bank [Agroindustrial Bank] is already giving the order to open financing to them. Good, they opened. And what is Yaroslavlagropromdorstroy expecting to do next? Will Minvodkhoz's Yardorstroy not fulfill the plan? But if it suddenly fulfills it? What will we do then? Officially remove the tasks established through Gosstroy?

[Zimin] Well, no, let us not remove them. First of all, Agroprom should repay road builders everything that is appropriate. In its time, did Gosplan completely repay

assets provided to Gosagroprom? Yes, it completely repaid them. And its leaders, Comrades Murakhovskiy and Dandenko, kept approximately 20 million in reserve. They sent the rest to the Non-Chernozem Zone Agroprom. It, in turn, kept something in reserve. Everything remaining was repaid to you at Rosagropromstroy. You know that there are two reserves in agroprom. You know and you are silent. Do not keep them in your pocket, provide them for roads. And do not tell stories that there is no money.

[Kaluzhskiy] I will raise the fundamental issue here. We need to change the relative capital investment standards.

[Zimin] A special committee on Non-Chernozem roads met a week ago. Why did you not raise the issue there?

[Kaluzhskiy] I am already tired of raising it.

[Litov] Our heated discussions only emphasize. We need to take a state approach toward substantiating and fulfilling such state programs as "Non-Chernozem Zone Roads." Once we have announced them, we need to fulfill them. This is a political issue and we cannot endure a fiasco today. The people trusted us. In short, I think that the issue of road construction in the Non-Chernozem Zone must be specially examined at the USSR Council of Ministers level. I ask that all of these problems be fundamentally sounded on the pages of *EKONOMICHESKAYA GAZETA*.

#### **I Am Ashamed of How We Build Roads**

[Luzgin] I have been building roads for 40 years. I have seen a lot in my time. I will tell you frankly: We are committing a crime while working on this program. We are building roads without rollers and it is really impossible to do that. What condition will they be in several years from now? Why do we not think that they will soon begin to crumble and then our progeny will curse us.

We plan volumes but we do not think about quality. Why are we building 9 to 10,000 kilometers of roads in Yaroslavl Oblast by 1995? All of Minavtodor Russia built 12 to 15,000 kilometers of roads a year earlier. It includes 86 oblasts, krais, autonomous republics, and districts. Yes, we will move earth. But who will think about the end results?

The issue of issues is compacting equipment. We just cannot work without it. We are suffering from a catastrophic shortage of it and the "neo-road builders" have too much. Our administration could significantly increase its work volume with the same personnel—just give us equipment. And meanwhile, workers are beginning to leave us. In several years, all real road construction collectives will have fallen apart. And how the new ones will operate is still unknown.

I ask *EKONOMICHESKAYA GAZETA* to pose this issue of examining the current equipment distribution

system before the central agencies. Otherwise, it will be late. I cannot be silent today. We cannot continue building roads this way.

[Kaluzhskiy] Why do we not give the Oblaspolk itself the right to redistribute equipment delivered to the oblast? Then these issues would also not arise. We need to resolve this issue at the USSR Gosstro level. And the sooner, the better.

For some reason, no one has yet remembered that a totally new problem has arisen: no one is busily maintaining internal economic roads. Minfin is not financing them and other central agencies have dropped them on local agencies. How do we resolve this issue? Through donations? There will not be enough donations to do this. "Farm assets." Right, now all kolkhozes and sovkhozes have transitioned to self-financing, therefore we will not collect much. A simple calculation shows: on average, a farm needs 15-20 kilometers of roads. To maintain them normally, we need to spend 300,000 rubles per year. We are involuntarily falling into a "theory" of debt.

A hundred issues have been aired here. But why not raise one more and this one is on a practical plane. As an experiment, allocate 20 million rubles to Yaroslavl Oblast and organize a special internal economic road maintenance service.

[Litov] Include rebuilding internal economic roads in the plan? But today this is not a part of the program.

[Kaluzhskiy] We must simply include it.

[Moderator] It is plainly stated in the resolution: "enlist the services of the farms' own assets for these purposes."

[Kaluzhskiy] This is uncharacteristic in the Non-Chernozem Zone but they have experience with such work in Smolensk. The farms do not have enough of their own assets here.

[Moderator] And what is the point of view of the farm managers themselves?

[Dobryakov] We need to help the road builders. For example, we constantly render assistance through equipment, transport, and building materials. If we stop helping, we will not see any roads. Now 15 kilometers of roads have been built in our area: nine of them are internal economic roads, and six are general use roads. We could build even more but we do not have enough bituminous asphalt or cement. Although O. Bortney stated in *IZVESTIYA* that precisely these materials were provided to road builders in complete amounts.

[Goryantsin] And our most pressing issue is rollers. We can find macadam and asphalt. But if we do not compact the road bed well, we might as well consider that there will not be a road. It is true that here the deputy minister

of road construction recommended reinforcing the ground with cement. But we need a whole suite of special equipment and mechanisms for this. We tried to reinforce the road bed without them and the result was unfavorable: Road quality was reduced.

**Availability of General Use Hard-Surfaced Roads in the USSR (in kilometers) Per 1,000 Square Kilometers of Territory as of 1 Jan 1987:**

USSR - 37.1, RSFSR - 22.1\*, Estonian SSR - 325.9, Lithuanian SSR - 313.1, Georgian SSR - 285.9, Moldavian SSR - 278.0, Latvian SSR - 277.8, Azerbaijan SSR - 263.5, Armenian SSR - 246.0, Ukrainian SSR - 244.4, Belorussian SSR - 196.3, Kirghiz SSR - 85.7, Uzbek SSR - 81.3, Tajik SSR - 81.3, Kazakh SSR - 29.4, Turkmen SSR - 22.1.

\* as of 1 Jan 1988

**Is It Forbidden to Over-fulfill the Plan?**

[Bizin] We very carefully prepared the "Non-Chernozem Zone Roads" Program. But now everything has gone awry. Internal economic roads are being financed through the budget. We were allocated 104,000 rubles per kilometer and it is actually turning out to be more expensive. Therefore, we are only capable of working until August. And, after that, we will have to dismiss everyone.

[Nozdrachev] Recently, RSFSR Minavtodor conducted a selective meeting. And the minister forbid us to over-fulfill the plan.

[Sedov] Road construction is also perestroyka in agriculture. The secretary of the Poshekhonskiy party raykom described it once. They were building a road to a remote village. So the local little old ladies began walking barefoot on the still burning asphalt and crying with joy. And this is still our greatest achievement!

A couple of words about the so-called "dispersal" of assets. And why do we not call this competition? Let the customer choose in the presence of the oblispolkom: To whom to give preference—Agroprom, Avtodor, or Minvodka.

[Belov] We should simply have adopted this program 20 years ago. If misfortune occurs somewhere, they ring the bell, but hundreds of thousands of people have left their homes of many years and we have calmly kept silent. Now, to return the debt, we need to double and treble our efforts. And what are we actually doing? We are planning to build 250 kilometers of roads and Minavtodor plans only 150 kilometers for us.

[Nozdrachev] But we cannot even rationally use the assets which we have. No matter how economically we use materials and equipment, the wage fund is not

increasing from this. It is actually formed according to the standard per ruble of construction and assembly work.

[Kaluzhskiy] But what is preventing you from transitioning to the second cost accounting model?

[Nozdrachev] We can only do this with RSFSR Minavtodor's approval.

[Moderator] Artur Akimovich, are you really forbidding them to transition to the second model?

[Nadezhko] Consider the issue resolved. I will approve it.

[Moderator] For some reason, the representatives of science are modestly keeping to themselves.

[Abramov] Today, throughout the nation we have 4.5 million kilometers of general use roads and 3 million kilometers of internal economic roads. Our institute is constantly studying and summarizing issues about our road network's technical condition. Calculations of losses associated with lack of roads are also performed at the Institute. Right now this is billions of rubles annually.

An important issue is classification of roads: what to consider general use roads and what to consider internal economic roads.

[Moderator] And did your institute take part in developing the "Non-Chernozem Zone" Program?

[Abramov] No.

[Rejoinder] And just what is your purpose in life?

[Abramov] I repeat our task is to determine demand for road construction as a whole throughout the country and show the economic effectiveness of expenditures for development of the general use road network.

[Sedov] Have you published the results of your research anywhere in the press?

[Abramov] No, but I would submit it to *EKONOMICHESKAYA GAZETA* with pleasure.

[Titov] Why do Gosplan and science acknowledge their own powerlessness? Why even today after adoption of the program does the ratio of capital investment in road construction throughout Russia total only 70 percent, if we compare it with indicators throughout the nation?

[Polosin] Actually, the ratio of capital investment for general use roads in road construction throughout the RSFSR in relation to the USSR as a whole totals 70 percent. In the 13th five-year plan, this indicator will grow to 80 percent. Sufficient priority has been made

here for fulfilling the state program. The total sum of capital investment is determined to be 14 billion rubles. It is possible that this figure will grow.

[Moderator] How can we talk about general use roads if your science did not determine just what that is? We are still being dictated to in this regard.

[Polosin] This is our point of view: General use roads are all roads right up to rural soviet [roads].

[Kovalev] Then a number of internal economic roads need to be transferred to the general use road category. How much additional assets are required for their construction?

[Polosin] I am not totally in command of these issues.

[Moderator] And this is too bad. And how can GiprodonII help the road builders?

[Kuptsov] Our institute developed a local construction materials catalog: In which oblast, where, and what kind of material there is. We also sent recommendations on the use of local construction materials with a catalog to all regions of the RSFSR.

[Vorobev] We did not receive this catalog.

[Nozdrachev] We did not, either.

[Belov] We also do not have it.

[Kuptsov] It is possible it simply has not reached you yet. But I understand the criticism. I will personally monitor that it is sent to all oblasts. I think that the road builders will find our materials most helpful.

#### From the Editor

All issues and problems cannot be covered at one meeting, no matter how long and interesting their discussion is. But anyway, I think that all of the key issues requiring immediate resolution were touched upon. They are: Determining road construction priorities, supplying equipment and materials to road builders, rationally distributing equipment produced among road construction organizations, introducing progressive technologies and new forms of organization of labor, problems of financing, balancing planned tasks, and increasing the contributions of scientific organizations. The proposals of the meeting's participants should also help responsible workers of Gosplan, Gosstroy, Minstroydormash, other central and republic ministries and departments, and local soviets to implement the State "Non-Chernozem Zone Roads" Program.

By publishing this article, the editors do not consider this conversation to be completed. We invite scholars, road construction experts, and all of our readers to continue it.

## RAIL SYSTEMS

### May Rail Performance Detailed

18290194 Moscow GUDOK in Russian 3 Jun 89 p 3

[Article from MPS [Ministry of Railways] Statistical Administration: "Results of Transport Operations in May"]

[Text] Rail transport fulfilled the five-month plan for total freight dispatch on May 30. Over 22 million tons of freight for the national economy, including 82 percent of the product assortment of state orders, was shipped in addition. At the same time, the plans for three types of freight out of 14 were not fulfilled: chemicals and mineral fertilizers were 1.6 million tons short, fluxes were off by 120,000 tons, and iron and manganese ores were 70,000 tons short.

The shipping plan for locally planned freights was not fulfilled for pelletized slag (1.5 million tons), peat (73,000 tons), shales (48,000 tons), agricultural machinery (23,800 railcars), motor vehicles (30,900 cars), machinery and equipment (6,500 cars) and other and mixed freights (434,600 railcars).

Shipping volume declined by 1.4 percent overall compared to the same period of the prior year, including by 2.5 percent for bituminous coal and petroleum, 4.5 percent for timber and 6 percent for grains and milled products.

Some 20 railroads handled the shipping plans. Those lagging included the Kemerovo, Tselina, Volga, Northern, Alma-Ata, Central Asian, Lvov, West Kazakhstan, Transbaykal, Azerbaijan, Far East and Northern [as published].

There was a shortfall in the stipulated target of seven million tons of shipping in May with the hundred-percent fulfillment of the dispatch plan. Some 19 railroads could not ensure its realization, including the Gorkiy, Dnepr, Donetsk, Volga, Tselina and Kemerovo railroads, which had shortfalls on the scale of over a full day's operation. The fulfillment of plans for the shipment of bituminous coal, petroleum and petroleum products, chemical and mineral fertilizers and timber and other freight is lagging. It should be noted that the railroads in the Eastern part of the country experienced an acute shortage of gondola cars.

The plan for the shipment of petroleum and petroleum products was underfulfilled by 13 railroads. They included the North Caucasus at 63,000 tons while keeping a fleet of tank cars 6.1 percent, and empty cars of 3.4 percent, above the norms. The situation was analogous on the Belorussian and Donetsk railroads among others. The South Urals, Sverdlovsk and Tselina railroads were experiencing difficulties with tanks cars at the same time.

Overall conveyance declined by 2,800 railcars for the system overall compared to the prior year. The stipulated norm was 98.9-percent fulfilled. The decrease in the dimensions of conveyance occurred at the expense of loaded railcar flows. Only eight railroads fulfilled the stipulated standard for loaded-car deliveries.

The fulfillment of the schedule for passenger-train traffic did not improve. They ran according to schedule at a level of 88.6 percent, which is 2.7 percent below last year's level. The most unfavorable situations in May took shape on the Kazakh and Transcaucasus railroads, as well as the Southern, Moscow and Volga railroads.

Freight-train traffic improved somewhat. Some 77.1 percent of trains, versus 76.9 percent, ran on schedule or with reductions in lateness in May.

There were no noticeable shifts in improving the utilization of the rolling stock, and qualitative indicators remain below the stipulated targets.

The labor productivity of workers engaged in shipping was 1.1 percent higher (1.8 in comparable terms by quantity of calendar days). The plan was 3.3-percent overfulfilled. The gains in labor productivity, at the same time, could not keep up with wages. The cost of shipping was 0.8 percent over the plan.

The fulfillment of profits at planned levels for the basic activity of the railroads is expected.

### **Economist Examines Rail Operations**

18290166 Moscow GUDOK in Russian 3 May 89 p 2

[Article by Professor A. Abramov, doctor of economic sciences, VNIIZhT [All-Union Scientific Research Institute of Railroad Transport]: "Buy Shares of Stock!"]

**[Text] Moscow—It is now clear to everyone, apparently: meeting the needs of the national economy and the public for transportation fully, in a timely manner, and most importantly, with quality, is inconceivable without substantial reequipment of rail transport. Many mainlines are overloaded. The pace of renovating the fixed capital is obviously inadequate. There are not enough rolling stock, track machines, machine tools, and other facilities to repair equipment. The poor condition of tracks prevent us from increasing the weight and speed of trains.**

In order to rectify the situation, the Program for Technical Reequipment and Modernization of the Railroads in the 1991-2000 Period was drafted. Considerable capital investment far in excess of the sector's financial capabilities is required to implement it.

What is to be done?

Obviously, construction of the routes of national and strategic importance should be financed from centralized sources. Construction of new rail lines or the

development of existing ones often follow an increase in production in specific sectors of the national economy. It is apparent that assets of the appropriate ministries, departments, production associations, and enterprises have to be more widely involved in this case. In the meantime, the lines which link the stations on existing mainlines with new mineral deposits are laid out basically with the resources of other ministries and departments. After construction of the lines is completed, they are turned over to the railroads.

But isn't there really any other way? In prerevolutionary Russia and in many countries even now, joint-stock capital plays an important role in financing railroad construction. What is preventing us from bringing in additional funds for the same purposes with the help of stock shares? There is already experience with this in industry and construction. A number of Soviet economists are considering a special shareholding form of cost accounting which can be utilized in combination with its other forms.

I think that shares (with the payment of a dividend, depending on the results of railroads' activity) have to be offered first of all to the owners of freight who are interested in both the construction and development of individual lines or a network of them in some region. Shares can also be "started up" for the development of passenger traffic, especially in resort areas—with tourist, sports, and trade union organizations, public health organs and other institutions associated with organizing workers' relaxation taking part as shareholders.

The possibility has not been ruled out that shares may be sold to employees of individual cost accounting transport components, taking into account the experience of the Lvov, Kiev, and other enterprises. Experience has shown that such a step increases the workers' incentive to raise production efficiency and reduces personnel turnover.

Other forms of attracting financial resources are possible as well. As they say, what is new is what is old and long forgotten. It is worth remembering that along with the sale of shares, a certain amount of the funds to build the steel mainlines in Russia was acquired by means of special railroad loans.

It is obvious that even today bonds could be made available among the enterprises in regions where railroads are being built or renovated. Such loans may be repaid on a so-called compensatory basis—not by returning sums of money, but by providing transportation for bond-holding enterprises on preferential terms for a specific period.

One more form of attracting funds from the public is through railroad lotteries. It is expedient to draw the attention of the appropriate organizations to the possibility of granting the Ministry of Railways the right to hold a special-purpose lottery (for building high-speed

lines, for example) as an additional source of funds to resolve overall transport problems. A free one-time trip by railroad to any point in the country or to specific resort regions can serve as a prize.

There are also grounds for raising the question of compensating railroad transport for part of the operating expenses that are not being covered by appropriate revenues at present. So we must identify the unprofitable lines with little activity where a substantial increase in transport is not foreseen in the near future and try to shift them to operation based on share ownership, with participation by the enterprises, organizations, and territorial organs interested in the operation of these lines.

There are sections of track in the system which are used by individual freight-owning enterprises. About 20,000 kilometers of sidings have been added to the balance of the Ministry of Railways over the past decade. About 80 million rubles are spent to maintain them. It is expedient to lease these sidings to the enterprises and to maintain them for a specific fee.

It is expedient for the railroads' expenses to transport citizens with honorary titles, invalids, and other persons who enjoy the right of free travel to be recovered from public consumption funds.

Tariffs have an exceptionally important role in developing transport revenue. A draft price-setting reform provides for bringing transport tariffs for different freight into conformity with expenses. This is an important step in regulating prices for transportation. With this approach, identical profitability is ensured for transporting different goods. But the socially necessary expenses—the expenses which society may incur at a given time to meet its needs—must be taken into account. Hence, in developing freight tariffs we must also take into account the expenses of other sectors of the national economy related to transportation. For this reason, tariffs should reflect consumption properties and the quality of transport.

Contract tariffs meet such requirements to a certain extent. But they do not resolve the problem completely. The point is that territorial distinctions have an effect on the cost of transportation. In this connection, we need research to determine the cases in which individual expenses for transportation on a specific line or a certain section of the network can legitimately be used as the basis for tariffs.

It is important to establish those railroad lines where it is advisable to provide incentive with preferential tariffs for loads transported in directions with empty cars. It is also advisable to look into the mainlines where capacity has been practically exhausted. It probably makes sense here to raise the tariffs, since capital investments are needed to develop the lines in operation or the construction of parallel lines.

It is expedient to analyze the transport of seasonal freight, which requires capacity reserves. This should be reflected in the tariffs.

I have provided only a small list of the problems which await solution. There are many more, in fact. The fact that the pricing reform has been carried over for several years provides good opportunities for broad discussion of these questions.

### **Railroad Automation Plans Examined**

18290202 Moscow AVTOMATIKA, TELEMEXHANIKA, I SVYAZ in Russian  
No 5, May 89 pp 2-5

[Article by V. S. Arkatov, deputy minister of railways and candidate of technical sciences: "Automating the Processes of Transport Management Utilizing Microprocessor Technology"]

[Text] Improvement in transport management processes and development of highly efficient automation facilities are a key direction in increasing the railroads' traffic capacity and the handling capacity of section and freight stations and classification yards.

*An advanced concept of transport management incorporates five levels of automation, closely interacting with other in real time (AVTOMATIKA, TELEMEXHANIKA, I SVYAZI No 4, 1986). Let us remind you of these five levels: the first one is the STsB [signalization, centralization and block system] facilities at stations and on lines; the second one is the local automated equipment for the accumulation, processing, conversion, and output of data on train status; the third one is the station computers with operational and engineering data banks on the operating activity of stations and junctions; the fourth one is the unified railroad centers with powerful computers and personal computers; and the fifth one is the center for controlling the entire transport process of the railroad system in the Ministry of Railways, based on superpowerful computers and personal computers.*

*The microprocessor data control systems under development recently at the second level, which have been coordinated with STsB facilities and the computers of the upper levels of management, have a special role in automation of the transport process. The new class of systems is efficient because the lack of continuity between the actual technical processes and the upper levels of management is overcome with their help.*

This interaction of facilities, systems and computer complexes (computers) is based on utilization of a reliable dynamic model of the location of the freight, cars, trains, and locomotives which reflects the actual status of train operations at any current time. Two main directions to achieve the objective have been clearly defined here. The first one is automation of the processes of transmitting information on the actual train traffic in sections. The second one is connected with automation

of the accumulation and processing of data which reflect the actual status of production processes at classification yards.

The automated online transport control system (ASOUP) which is being introduced in the railway system does not provide for continuous automatic record keeping on the transfer of trains and cars through connecting points between lines and their divisions. Efficient operation of the ASOUP is reduced for the following basic reasons:

- the periods for current data on moving objects to arrive are as long as 4 hours, which rules out the possibility of operating a dynamic model in real time; and
- the presence of operator personnel who fill out papers manually does not guarantee the reliability of information and rules out its timely arrival for further processing.

In this connection, the task of providing new data base organization and management for the ASOUP with timely and reliable data on the actual location of trains, locomotives, and cars is becoming exceptionally important. Studies of different alternatives for transmission of data on train movements are now being conducted to resolve this. Among these are an automation system for tracing the numbers of trains by utilizing the "MikroDAT" microprocessor equipment, coordinated with the "Luch" DK [dispatch monitoring] devices at the unified control centers (YeTsU) of railroads; a subsystem for monitoring train status within the framework of the modular system of dispatch centralization (ASDTs); DTs [dispatch centralization] based on the "Minsk" or "DTsM-Don" microprocessors; and others.

However, the automatic organization of all the necessary information on train and locomotive movements and its transmission and correction when there are schedule disruptions and other deviations within the scope of the systems that are developed require substantial complication of the algorithms for their functioning and postpone the dates for completing work on transport automation.

The alternative of providing data base organization and management for the ASOUP by installing personal computers (the Robotron-1715, the YeS-1840, and others, for example) at the work places of duty stationmasters (DSP) is proposed as the simplest solution, and one which can be implemented relatively quickly, to develop a dynamic model for train traffic. These computers are linked with each other by communications channels under the circumferential principle (neighboring stations) and in a radial (star-shaped) pattern with standard communications channels for the transmission of data with the ASOUP. An automated work place for the duty stationmaster (ARM DSP) is established in this way.

The ARM DSP makes it possible to enter information with the keyboard into the computer memory on the tracking of trains, their numbers and identification,

arrival and departure times, the time delayed, locomotive numbers, and so forth and to transmit this to neighboring stations. This information on several trains on a line which are approaching a given station is seen at a neighboring station and may be stored in the computer memory, displayed on a monitor, and printed on a printer. This makes it possible to discontinue keeping a desk log.

The information obtained is transmitted simultaneously to the ASOUP computer, providing data support (updating it) in real time to the dynamic model of train status in the railroads' sections and traffic directions.

This system for collecting and processing data on train status, which has been given the conditional name of "Estafeta" [relay race], has already been developed and tested on the Donetsk Railroad. A fundamentally new network of interacting microcomputers has been established for the ASUZhT [Automated Control System for Railroad Transportation] which utilizes stable algorithms for exchanging data and advanced principles for data transmission with arrays, as well as a multidrop link between the automated work places by a two-wire communications line at several dispatch monitoring points [luchi].

The principle of relayed transmission of information between the automated work places of duty stationmasters and the exchange of data with the YeS-1045 computer of the ASOUP on the arrival, tracking, and departure of trains has proved itself. Stable operation of the dynamic model of train status has been provided for at stations in an entire section with display on the screen of the ARM DNTs [possibly: automated work stations for dispatch centralization] of data on the availability and movement of trains, the schedule (route) of each train, the status at each station, and so forth.

The proposed pattern of interaction between the second and third levels of transport management makes it possible to develop it further and to increase the level of automation in withdrawing data directly from the STsB facilities. This reference is to program and hardware coordination between the automated work positions of duty stationmasters and the existing systems of electrical centralization. When the computer memory has data on the trains expected in accordance with the schedule, it becomes possible to automatically log and transmit to other consumers the times they were actually tracked with the arrangement and separation of routes, the changes in traffic light signals, information on whether approach or departure routes are occupied or not, and so forth.

A second and extremely important direction of work in automating the processes of transport control, as already noted, is the development of local information management complexes (LIUK), interlinked with STsB facilities, for the collection, storage, processing and display of practical online operating data on the reception and processing of trains and their separation—their makeup

in the gravity yard and the adjacent area, as well as the dispatch of completed consists. This concerns the automation of key classification yards first of all.

The basic functional assignment of such local information management complexes is to provide the models of practical information and reliable reports on the actual location of trains, cars, and locomotives from the time they arrive at the yard until they are dispatched on the line which are organized in the ASU SS [Automated Control System for Classification Yards]. Coordinated with the relay facilities of local automatic equipment, track circuits, track sensors, and so forth, such complexes establish an information base for the ASU SS in real time.

Four local complexes must be established for each classification system: the LIUK PP for the rolling stock received, the LIUK SG for the classification gravityny Liman station of the Donetsk Railroad. The reference here is to a local complex for receiving rolling stock, the LIUK PP; a gravity yard microprocessor complex, the LIUK-SG—KGM-RIIzhT [Rostov-on-Don Institute of Railroad Transport Engineers]; and a local complex for the dispatch yard, the LIUK PO.

The local complex for receiving rolling stock is an assembly of microprocessor modules of the "MikroDAT" type, linked with field installations [napolnyye ustroystva] as well as relay apparatny Liman station of the Donetsk Railroad. The reference here is to a local complex for receiving rolling stock, the LIUK PP; a gravity yard microprocessor complex, the LIUK-SG—KGM-RIIzhT [Rostov-on-Don Institute of Railroad Transport Engineers]; and a local complex for the dispatch yard, the LIUK PO.

The local complex for receiving rolling stock is an assembly of microprocessor modules of the "MikroDAT" type, linked with field installations [napolnyye ustroystva] as well as relay apparatus in the ETs [electrical switch and signal centralization] for the receiving yard. A color graphics terminal and an analog-digital graphics printer function as part of the automated workstation of the switching dispatcher under the management of this complex.

The basic functions performed by the local complex for receiving rolling stock is to log the start and completion times for all procedural operations in processing rolling stock in the arrival yard, to display the status of the tracks, the traffic signals indicated, the presence and removal of a barrier, the beginning of movement to the gravity yard, and train arrival times. A link has been provided with the ASU SS and the road level system of the ASOUP for the transmission of current data on the course of the operations process in the receiving yard.

At the same time that all situations taking shape in the yard are depicted graphically on the screen of a color display, a record of the procedural operations carried out

is produced each minute on the printer. An alphanumeric printer displays summary information on work in the receiving yard at any current moment.

The gravity yard microprocessor complex, the KGM-RIIzhT, automates the process of separating consists and performs the following basic functions: automatic control of the routes of movement of uncoupled units and regulation of their rolling speeds at all brake settings; complete monitoring of the course of train sorting, with depiction on color and black-and-white displays; automatic receipt from the ASU SS of sorting programs for all consists that are ready for separation; and transmission of the program completed to the ASU SS. A number of service functions for operating personnel have been provided for here: automatic protection of switches from shifting under cars with long bases and protection of switches from opening during movement from the vicinity of the gravity yard; duty personnel in the gravity yard need not manually intervene in the process of restoring route assignments when units are not uncoupled or spacing is shortened on the incline section of the gravity yard; and simplicity in substituting routes and modifying programs.

In the gravity yard complex, the important question of physically counting the cars in uncoupled units has been resolved for the first time, with relay of their inventory numbers, automatically received from the ASU SS, on the incline section of the gravity yard. This establishes real prerequisites for automating reliable models for each car for each track in the gravity yard area and prompt adjustment of them in the ASU SS in real time.

Gravity yard microprocessor complexes have already been introduced at the Krasnyy Liman, Bataysk, Gorkiy-Sortirovochnyy, Tselinograd-Sortirovochnyy, and Orsk stations.

Development of a local complex for the makeup yard is also becoming extremely important. Such a complex is designed for automating the processes of accumulating the cars on all tracks in the gravity yard area by weight as well as by length and organizing information on consists that have been completed. One of the basic functions performed by the local complex for the makeup yard in coordination with the gravity yard complex is the management and transmission to the ASU SS of reliable models for each car on each track, as well as their automatic adjustment when cars (groups of cars) are rearranged from one track to another both from the gravity yard and the area where they are extended. The status of tracks in the PF [makeup yard], the actual accumulation of cars, the presence of cars with special features, and the location of "strangers" and their inventory numbers should be depicted on a color display which is part of the automated work position of the switching dispatcher. In this complex, the process of car accumulation, the times that consist assembly is begun and completed, as well as the times that consists are

inspected and processed when they are ready to be rearranged in the dispatch yard, are to be recorded in print.

Practical introduction of a local complex for the makeup yard is planned for this year.

A local complex for the dispatch yard completes the coordination of the first and third levels of the information management system for classification yard automation. In its functional purpose, this local complex is similar to the arrival yard complex that has already been considered. All the procedural operations related to the processing of consists in the dispatch yard are recorded here, their beginning and completion are monitored, an excess of normative time is recorded, and a schedule of the work carried out is also made. In addition to visual depiction on a color graphics display of the information cited, as well as the condition of tracks, traffic signals indicated, the status of switches, the availability of locomotives, and so forth, summary reports on results of work in the yard may be provided on a printer.

Development of a local complex for the dispatch yard has already been completed and the complex has been put into operation at the Krasnyy Liman station on the Donetsk Railroad.

All the complexes have a common component and structural base, their technical and design solutions have been standardized, and continuous expansion (development) of functions is possible through reprogramming.

Widespread introduction of microprocessor information management systems of this type, which are compatible both in program and hardware with STsB facilities and provide for an exchange of data between the upper levels of the Automated Control System for Railroad Transportation, will help to resolve the task of complex automation of the processes of transport management.

At the same time, complete solution of this objective is still being hampered by the problem of automatic readout of the numbers of cars and locomotives from rolling stock, which determines the information base for the functioning of dynamic models at all stations, sections and junctions. The existing system of transmitting telegrams by communications channels for the ASU SS or reports on freight and trains that are being transferred for the ASOUP requires manual processing of data on the numbers of cars, which introduces distortions in processing the mass of data in real time.

Several independent ways of resolving the problem of automating the readout of car numbers are possible. One of the alternatives is a video record of the car numbers when a train is in motion with the aid of fixed video cameras with sufficiently high resolution to distinguish the images at checkpoints (on approaches to a station, at the opening of the receiving yard, in the extension area of the makeup yard, at the exit from industrial enterprises, in freight yards, and so forth). The information is

changed into digital code after the video recording is organized into the cars' inventory numbers and is stored in a specific sequence in the data bank for comparison with the numbers of cars which were put into the computer of the ASU SS before trains actually arrived at a station. The inventory numbers of cars that have been identified now can be "transferred" within the framework of the information models of the yards, rayons and production areas of stations or junctions in synchronism with the physical transfers of cars (groups of cars) by the monitoring sensors of the "lower" automated equipment.

Another alternative for automation of the processes for the transmission and processing of data on trains that have been moved and the numbers of the cars in them is development of a mobile complex of programs and hardware (an on-board microcomputer, video terminal, functional keyboard, and other equipment in the engineer's cab), which interacts through a common interface with the on-board radio station of the "Transport" radio communications system. This version provides for two basic operating modes: automatic and semiautomatic (with the engineer's participation to receive and send information).

In the automatic mode, data containing the number of the locomotive, the number and identification of the train, their location, summary data of a full-scale checklist [naturnyy list] and other parameters are transmitted in encoded form from the center managing the station (for example, from a specially assigned computer linked with the transmitter of the fixed radio station) through the locomotive radio station to the on-board microcomputer. The information received in digital form in the latter is stored in memory.

To the extent that trains pass through sections and stations at definite checkpoints (for example, when they approach subsequent classification yards or junctions, line administration centers, and so forth) within the limits of the zones allocated by a signal from track sensors, all the necessary information goes to the next data processing center automatically over the transmitting channel of the locomotive radio station.

Commands for the transmission of data from a moving train may also be organized by program in the event that a model of the sections with programmed checkpoints which determine the sessions for transmitting encoded information from on board are in the read-only memory (PZU) of the on-board microcomputer.

In the semiautomatic mode the engineer can use the keyboard to call up the information stored from the microcomputer on his screen and correct it when necessary (for example, because of a malfunction detected by the PONAB [expansion unknown]) or introduce new information. When necessary as stipulated by the operating conditions of the on-board microcomputer, the engineer, with the appropriate instructions, transmits

stored and (or) corrected information by radio channel to points for its relay or processing.

The pattern and organization of the transmission of operational data from a moving train considered in this alternative is multipurpose in nature, since it makes it possible to expand the volume and types of information transmitted from the locomotive. This plays a special role for the functioning of the ASOUP and unified line centers where there is continuous monitoring of trains' actual location in real time.

Another alternative for transmitting encoded reports from a locomotive by radio channel is possible as well—within the framework of the established system for multiple traction units (SMET). In this case SMET must be adapted to the conditions for transmitting large volumes of information of different technical content compared with the data which are now being transmitted from locomotive to locomotive when moving heavy trains.

In order to increase its viability, the organizational and technological pattern for the transmission of encoded reports utilizing the technical facilities of "Transport" radio communications and SMET should make provision for organizing and transmitting backup or supplemental reports from stations on separate channels on the tracking of trains and corrected data when they pass through stations and sections.

Recording the numbers of rolling stock units directly on the rims of wheel pairs, making use of their ferromagnetic properties, is also worthy of attention. The numbers are read out by means of special antennas. When the wheels pass alongside this device and antennas the data are recorded in memory in binary code, where they can be checked with the aid of a component for the input of discrete signals to the microcomputer and transmitted further to other levels of information processing.

Input of car or locomotive numbers can be provided under stationary conditions at locomotive and car depots and in motion, but their readout is at checkpoints within stations and sections where the devices cited will be installed along the tracks.

In resolving the problem of automating the withdrawal of information from rolling stock we have to closely examine other methods which are fundamentally different from those described above. They include the inductive output of information from a locomotive by a system conditionally called the DISK-L. In this system, an installation at the necessary checkpoints reads out the normal circuits which provide for inductive coupling with the on-board units and withdrawal of encoded information up to 30 decimal digits in volume. The matter of further relaying encoded reports to data concentrators and then to the ASOUP or the unified control center for a railroad does not present any organizational or technical problems.

Among the alternatives is the data readout system utilizing the LOTOS ultrahigh-frequency [sverkhvysokaya chastota] sensors. Here the encoded combinations of rolling stock numbers are carried by the SVCh [UHF] sensors installed on cars or locomotives. Track devices in fixed positions at checkpoints and on lines read out the information and transmit it to processing centers.

In order to determine the most acceptable alternatives for automation of information from rolling stock units, a comparative analysis of them must be made. The analysis is based on technical and economic indicators, the possibility of use under different conditions in the railroad system, and compatibility with existing channels for data transmission. Such a system should blend organically into the main five-level strategy for automating management of the transport process.

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This article has examined the local information management complexes at the second level of automating management of the transport process which have been developed and are being completed this year.

These complexes provide for automation of the work positions of duty stationmasters (abolishing the desk log), of the train dispatcher (with automation of the schedule for movements made), and of the switching dispatchers of classification yards.

Local information management complexes provide information that is sufficiently complete for the third level of automation for managing the transport process. This question will be considered in the next article.

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## **Sverdlovsk Accident Recovery Operations Detailed**

### **Railroad Troops Complete Cleanup**

18290219 Moscow KRASNAYA ZVEZDA in Russian  
22 Jun 89 First Edition p 2

[Article by Major A. Bugay, KRASNAYA ZVEZDA correspondent: "At the Site of Last Year's Accident"]

[Text] At the station, the Sverdlovsk shunting yards, the exercises of railroad troop subdivisions, to eliminate the consequences of potential transport accidents, have been completed.

At the beginning of June, work ceased for the entire shunting system of the Sverdlovsk transport junction, which was set against the tactical background of the exercises being carried out. The staff of the track railroad battalion, under the command of Major S. Mukhayev, set about performing the task in an organized manner.

Military-railroad workers, in the first few days, instead of seven, laid 21 switch assemblies.

The military men had to work under complicated technical conditions. A special feature of this major railroad junction is the fact that at the shunting yard, the track slope reaches two meters per kilometer. It was to be "eased." With negligence, it could have become the cause of an accident, for example, like the one that occurred on 4 October of last year at this same station. It was then that the soldiers of the railroad unit, headed by Colonel V. Boropolskiy, appeared.

The subordinates of Senior Lieutenant A. Kalinin and other officers performed their tasks in a professional manner. Here is the opinion of Major General V. Khimchenko, deputy chief of Railroad Troops, on the course of the exercises:

"In the course of the training-practice, the troops worked out problems of eliminating the consequences of potential accidents, and moreover did this at a junction as complicated as the Sverdlovsk shunting station. In addition to the training problems, we also achieved economic results. Tens, or even hundreds of thousands of rubles (this is the calculation of specialists) worth of work was done to reorganize the station, and moreover, in a short time. The reliability of the track facilities has been substantially increased, and this means, the safety of the train traffic as well."

#### Lines, Equipment Installed

18290219 Moscow GUDOK in Russian 30 Jun 89 p 1

[Article by V. Korshik, GUDOK correspondent: "A Large 'Blocking Interval' in the Shunting Yard"]

**[Text] Twenty-eight days, instead of forty-five, were required for renovation, with complete traffic stoppage, on the down shunting system of the Sverdlovsk shunting station. During these June days, 6 million rubles worth of construction-installation work was performed. Such rates are virtually unknown in the practical work of operating the country's railroads.**

It was 28 June, 0800 hours. The first train, No 3601, entered the receiving yard. The car workers of N. Kolegov, shift foreman, immediately started processing it. There were many people in the spacious combined electric centralization dispatcher post. Gathered here were the directors of the Sverdlovsk Railroad and division, and representatives of the press. The largest "blocking interval", lasting 28 days, was coming to an end. T. Ivanova, the duty attendant for the station, gave the order to begin the cut. Dotted lines flashed on the huge chart of the control desk. The first coupling of five gondolas rolls into the marshaling yard. The down system, fitted out with new equipment, with reserve strength which was not there before, has set to work again.

The size of this major shunting system is best indicated by the following figures: there are 135 loudspeakers installed here, and its yard, with numerous tracks, extends for over 4 kilometers.

"About 11 kilometers of tracks were removed and laid in the receiving yard alone," says V. Skubak, chief of track service, deputy chief. "The work periods here were almost cut in half. How? The entire railroad renovation of the track facilities was done under 'blocking interval' conditions for the capital repair of the track."

The characteristics are very precise. Anyone who has even once been present at a "block interval" in the time for capital repair knows how pressed and stepped-up the rhythm is. In order to withstand it, the track workers prepare for the "block intervals" in advance, collecting the rodding, adjusting the equipment and mechanisms. The work preceding the renovation was even more scrupulous. It made it possible, accurately and smoothly, to carry out in four weeks an operation estimated for six months of work. The experience of the Sverdlovsk track workers must still be correlated and studied.

Incidentally, the excellent work organization of the power engineers, communications workers, and workers of other services requires careful review. Hundreds of collectives from other roads were employed here. Each one deserves acknowledgement. I should like especially to mention one person, A. Yergozov, track fitter of the Alma-Ata Mainline: for outstanding work on the renovation, V. Skvortsov, chief of the Sverdlovsk Railroad, awarded him the title of "Honored Railroad Worker."

The work of the collectives of the Sverdlovsktransstroy General Contracting Trust and of the Uralstroyemkhanizatsiya Trust deserves high praise. The latter, at the end of the work "got stuck" because of the errors of their planners, and found themselves in a difficult situation, but got out of the hold-ups properly, because they were guided by a feeling of responsibility for the matter entrusted to them.

A great deal has been placed on the shoulders of the communications workers. In just the last few days they had to install 170 switch-operating machines, set 190 traffic control signals and lay 350 kilometers of signal-blocking cable. The chief executor of this work is the SMP-805 collective, and A. Perov is the train director. They finished all the work on time. The last—was on the morning of 28 June.

In recalling the days of the renovation, one must not forget the rear guard. I have in mind the transport workers of the Sverdlovsk road. Things were not easy for them. Although the Ministry of Railways, because of the redistribution of the plans, diverted the grouping of almost 50 percent of the car flow from the Sverdlovsk mainline, there was, nevertheless, still stress. It increased particularly on the day of the accident near Ufa. Some of the flow had to be taken on by the Sverdlovsk workers.

"This did not last long, however," says G. Androsov, deputy chief of the road for transport. "The next day we were working according to plan. Today, when the main part of the renovation is completed, we can say that the idea of stipulating the redistribution of functions of the Sverdlovsk shunting yard among the stations close by—

Peresortirovochnaya, Voynovka, Kamensk-Ural, Druzhinino and others—fully proved itself. Through their work efforts, as well as through the increase in the transit flow along the northern and southern bypass of the Sverdlovsk junction, it was possible to maintain the normal train situation on the mainline. I should like to note the collective of the up hump system of the station,

the Perm shunting yard, where the car detaching almost doubled during these days. The shift of A. Tikhonova, duty attendant for the Sverdlovsk division, did outstanding work."

The big "blocking interval" has been completed.

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